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Northern Ireland

A conference of the principal political parties in Northern Ireland has been proposed by Mr Humphrey Atkins, Secretary of State for Northern Ireland, to seek agreement on ways of transferring powers and responsibilities from the United Kingdom Parliament to locally elected representatives in the Province. The Government is preparing a consultative document to serve as a basis for discussion. In a speech to American journalists in London Mr Atkins has emphasised that Northern Ireland is not a 'colonial situation' and that the vast majority of people in the Province are in favour of preserving the union with Great Britain. Lord Elton, Parliamentary Under-Secretary of State in the Northern Ireland Office, in speaking of the Government's wish to find a way in which responsibility for important functions of government can be returned to local democratic control, has referred to the cost – both in lives and money – of terrorism in Northern Ireland.

POLITICAL CONFERENCE PROPOSED

Parliamentary Statement

The proposal that a conference of the main political parties in Northern Ireland should be held before the end of November was made in the House of Commons on 25 October by the Secretary of State for Northern Ireland (*Hansard*, cols 625-37). Mr Atkins's statement was as follows.

'The Queen's speech declared that the Government's intention was "to seek an acceptable way of restoring to the people of Northern Ireland more control over their own affairs". Since taking office in May, I have, for this purpose, had wide-ranging discussions in the Province, and a series of private meetings with leaders of the main Northern Ireland political parties represented in this House. My discussions and meetings have confirmed the Government's view that it is right to transfer back to locally elected representatives some at least of the powers of government at present exercised from Westminster.

'The political parties in Northern Ireland themselves, in their election manifestos, asked for this, and there is widespread support for it in the Province. There is, moreover, an awareness that such a restoration of political responsibility can be brought about in Northern Ireland only by all parts of the community recognising and respecting the interests of others.

'It will in due course be a matter for Parliament to decide, on proposals put to it by the Government, what kind of powers and responsibilities are to be transferred to elected representatives of the people of Northern Ireland and through what kind of institutions they are to be exercised. The Government wishes, however, to put forward proposals that, so far as possible, have the agreement of the people of Northern Ireland.

'We intend therefore to convene a conference of the principal political parties in Northern Ireland[1] to seek the highest level of agreement that we can on proposals for a transfer of responsibility, which the Government might put before this House in due course. We are, for this purpose, preparing a consultative document, which will be laid before Parliament, to serve as the basis of the conference. The document will set out the range of powers and responsibilities that the Government for its part would be prepared to see transferred from Westminster. It will set out as options for consideration by the conference a number of ways in which the transferred powers might be exercised, and, in each case, what the Government would regard as reasonable and appropriate arrangements to take account of the interests of the minority. Responsibility for law and order in the Province, which remains the Government's overriding priority in Northern Ireland, would not be transferred.

'I shall shortly be approaching the party leaders concerned to discuss with them the arrangements for a conference to be convened as soon as possible and, I would hope, by the end of November. Our aim will be to secure from the conference, drawing on suggestions in the consultative document, workable and acceptable arrangements for restoring to the people of Northern Ireland greater responsibility for the conduct of their own affairs which we can then recommend to this House in fulfilment of our commitment in the Queen's speech.'

Secretary of State's Speech to American Journalists

The wish of the majority of the people of Northern Ireland to preserve the union with Great Britain, the role of the Army in the Province, and the

[1]In reply to a subsequent question Mr Atkins said that it would be his intention to invite to the conference representatives of the Ulster Unionist Party, the Democratic Unionist Party, the Social Democratic and Labour Party and the Alliance Party, which between them represented four out of five voters in the Province.

Government's proposals for political progress were among matters referred to by Mr Atkins in an address to the Association of American Correspondents in London on 26 October.

Union with Great Britain

Mr Atkins said he wanted to 'dispel a few widespread myths' about Northern Ireland. It was emphatically not a 'colonial situation', it was not 'Britain's Vietnam'. Geographically and politically it was part of the national territory of the United Kingdom – constitutionally just as much so as England, Scotland or Wales. It was not 'some far-flung outpost of imperialism struggling to free itself from the suppressive yoke of an ancient conqueror'. It was to London that the vast majority of the people of Northern Ireland freely looked for the foundations of their way of life. Their political preoccupation was with preserving the union with Great Britain. The idea put about in the United States and elsewhere by people emotionally committed to a united Ireland that Britain was in Northern Ireland against the wishes of the people there was demonstrably false. Anyone deliberately advancing such views was either totally ignorant of the facts or deliberately irresponsible and mischievous.

Mr Atkins referred to what he called the associated issue of 'get the British Army out of Northern Ireland'. In the light of what he had said this was like calling for the withdrawal of troops from England, Scotland or Wales – removing units of the nation's forces from a part of the national territory. It was like arguing that the armed forces of the United States had no right to be in California or Connecticut.

The Government was dealing with a well-orchestrated propaganda campaign, hand in hand with the vile and inhuman terrorist campaign of the Provisional IRA. As long as Northern Ireland wished to remain part of the United Kingdom, the Army would be there for national defence purposes. Until such time as 'these men without morals or mandate halt their campaign of carnage and destruction', the Army would continue its difficult and dangerous task of aiding the small and hard-pressed police force.

Mr Atkins went on to say that he was not denying the democractic right of people in Northern Ireland or the Irish Republic to aspire to the peaceful unification of the whole island by consent, nor their right to work publicly and politically towards that end. It was an aspiration shared by the main political parties in the Republic and by the Social Democratic and Labour Party in Northern Ireland which represented some 20 per cent of the voters. But they all recognised this as a long-term goal which, if it was to be achieved, must be by the freely expressed democratic wish of a majority of the people in Northern Ireland. None of the elected political leaders in North or South supported or condoned the achievement of a united Ireland by force of arms. On his recent historic visits to the Irish Republic and the United States the Pope had added his clear condemnation of terrorist violence to the many other influential voices which had been raised against it, including the President of the United States and such leading political figures as Senator Kennedy, Speaker O'Neill and Governor Carey.

Political Progress

The urgent need in Northern Ireland was for provincial political institutions to be re-established so that more control over their own domestic affairs could be restored to the people of Ulster. But the formula must be broadly acceptable to both sections of the community in Northern Ireland and it must involve a form of government which both sections could identify with and spontaneously support. This was the task on which the Secretary of State had been actively engaged with the leaders of the main political parties since taking office in May. Following his statement in the House of Commons (see above) it was about to enter a new accelerated phase.

The task ahead would need a 'superhuman effort' on the part of all participants and 'enormous goodwill and forbearance' on the part of those outside Northern Ireland who would be anxious observers. It would greatly help the process if there were more understanding of the true situation and the totally legitimate and responsible role of the Government and armed forces in the Province. Mr Atkins said he hoped that more awareness would be forthcoming in the United States which would in turn temper the attitudes and utterances and activities of some people and groups who only played into the hands of an outcast terrorist organisation whose stated aim was to destroy the democratic structure of government in Ireland, North and South, and replace it with a distinctly Marxist-orientated regime.

Background to the Proposed Conference

In a short debate in the House of Lords on the government of Northern Ireland on 1 November (*Hansard, HL*, cols 504-89), Lord Elton, Parliamentary Under-Secretary of State in the Northern Ireland Office, spoke about the Government's proposal for a political conference. He said that however strenuously the Government tried to apply direct rule with sensitivity and flexibility it was no substitute for local democracy because it could not respond directly to democratic pressures. In their election manifestos all the main Northern Ireland parties had called for the transfer or devolution of responsibilities away from ministers accountable only to Westminster and back into the hands of locally elected representatives, brought together in new political institutions which would meet the particular needs of Northern Ireland.

In the course of his speech Lord Elton gave some statistics related to terrorism in Northern Ireland. The cost to the Exchequer of maintaining the Army there to protect the civil population amounted to £81·5 million in the last financial year and £404·3 million since the beginning of the present emergency in 1969. Thirty-one regular soldiers had been killed since 1 January 1979; since the onset of the emergency the total was 321. Over the same period 98 members of the

Ulster Defence Regiment and 90 officers of the Royal Ulster Constabulary had been killed.

Lord Elton also gave figures for the financial support given by the British Government to Northern Ireland. Over the last year the subvention from central funds had amounted to £859 million and the net cost to the Exchequer since 1969 had been £3,931 million.

Reform of House of Commons Procedure

The House of Commons has voted in favour of further procedural reforms, including experiments to limit members' speeches to ten minutes between 7 p.m. and 9 p.m. in second reading debates and to allow second readings of private members' Bills to be debated in committee. It has also agreed to the establishment of a Select Committee on Scottish Affairs.

Opening a debate on House of Commons procedure (*Hansard*, 31.10.79, cols 1268-391) to consider recommendations made by the Select Committee on Procedure in its report[1] published in August 1978 (see pp 339-40, 1978), Mr Norman St John-Stevas, Chancellor of the Duchy of Lancaster and Leader of the House of Commons, said that the debate was a further important step in the efforts of the House to bring its procedures up to date. As a result of the first debate in June on the Select Committee's recommendations (see pp 176-7) 12 new select committees were about to be appointed and arrangements were in hand to appoint sub-committees, including a sub-committee on nationalised industries. The Committee on Welsh Affairs had been authorised and he would be making proposals for a committee on Scottish Affairs. In addition to the present proposals important sections of the report of the Select Committee on Procedure remained to be considered, namely those on public Bill procedure, delegated legislation and European Community legislation. It was the Government's intention to provide for debate on these matters at a later date as well as on the question of financial control.

Shorter Speeches

Mr St John-Stevas proposed an experiment – which was subsequently approved by the House – to give the Speaker discretion to limit to ten minutes speeches made by members between 7 p.m. and 9 p.m. in second reading debates. He said that no doubt the Chair would not wish to restrict the length of speeches if only a small number of members wished to speak. The limit would not apply to ministers.

Private Members' Bills

Approval was also given to the Government's proposal for an experiment to allow second readings of private members' Bills to be referred to a second reading committee – as may be the procedure with government-sponsored Bills – if proposed by the member in charge of the Bill and agreed by the House. This would relieve pressure on private members' time on the floor of the House and improve the chances of a useful and uncontroversial Bill completing its passage.

Friday Sittings

It was agreed that Friday sittings should begin at 9.30 a.m. instead of at 11.00 a.m. and that the House should rise at 3 p.m. instead of 4.30 p.m. This change would particularly benefit members whose constituencies were some distance from London.

Select Committee on Scottish Affairs

Mr St John-Stevas said the Government was anxious to make improvements in the government of Scotland, especially the procedures for handling Scottish parliamentary business. He had proposed talks with representatives of the political parties which have members for Scottish constituencies but had been pressed to agree that the establishment of a committee on Scottish affairs should not await the outcome of these talks. The House accordingly approved the appointment of a Select Committee on Scottish Affairs to examine the expenditure, administration, and policy of the Scottish Office and associated public bodies. The committee would have a maximum of 13 members.

[1] *First Report from the Select Committee on Procedure, Session 1977-78.* HMSO, £3·25. ISBN 0 10 297878 6.

EXTERNAL AFFAIRS AND DEFENCE

Europe: Prime Minister's Speech

The need for constant vigilance in meeting the external challenge posed to Western Europe by the Soviet Union, and Britain's attitude to the European Community, were the two main subjects discussed in the Winston Churchill Memorial Lecture by the Prime Minister, Mrs Margaret Thatcher, in Luxembourg on 18 October.[1]

In her introductory remarks, Mrs Thatcher said that the orderly and just conduct of human affairs depended on strong institutions such as the North Atlantic Treaty Organisation (NATO) and the European Community. Their creation demonstrated 'the continued vitality of the European peoples and their devotion to liberty'. The principle at the heart of European institutions was liberty, which rested upon the three pillars of representative democracy, economic freedom and the rule of law. The foundation for all three was the acceptance of a sense of common obligation by the citizens of European societies.

External Challenges

The Prime Minister observed that, despite their evident success in combining liberty and prosperity with the historical traditions of the national state, the democracies were a minority in the world, being opposed everywhere by 'regimes which openly despise our system, and do so forcefully and menacingly'. The challenge to the Western way of life represented by the Soviet Union was deep-seated for it had equipped itself with 'military forces whose capabilities and philosophy are better matched to the demands of an offensive than of a defensive policy and whose ambitions are global in scale'. The challenge was also political and ideological, involving a Soviet claim to the right to promote the demise of the Western system of democracy through the 'ideological struggle'. It was scarcely surprising that since the war Europe had had no more than the 'prolonged armed truce', predicted in 1946 by Maxim Litvinov, the former Soviet Foreign Minister. That was the true meaning of 'peaceful coexistence' and it was far from clear that, for the Soviet Union, the meaning of détente was any different.

Another external challenge was the fact that most people in the world lived in poverty and enjoyed neither economic nor political liberty. A dangerous gulf separated the rich nations from the poor. Mrs Thatcher said that it was sensible, as well as right, to assist the people of the Third World to help themselves, for the prosperity of Western Europe depended in part on the ability and willingness of others to provide its raw materials and to buy its goods. The West wanted to see Third World countries 'develop by their own efforts the institutions which [would] enable them to live in prosperity'. Whereas the Soviet Union offered tanks and guns, subsidies to its clients, and a narrow irrelevant ideology, the West gave aid on a far larger and more constructive scale by teaching the culture of new crops, helping to cure disease, and building dams.[1]

In the long run, Mrs Thatcher continued, the ideas offered by the West were more important than the aid given. At first the end of empire had led the newly independent countries to look beyond the West for their ideas. It was not surprising that the Soviet Union had seized the opportunity to lay responsibility for all the problems of the poorer nations at the door of the so-called 'Western imperialists'. Although this propaganda had met with success, the true interests of the poorer nations did not lie in a close association with the Soviet Union. It was for the West 'to demonstrate this by word and by deed'. There could be 'no non-alignment in the struggle between liberty and tyranny'.

European Defence

Turning to the issues of European defence and East-West relations, the Prime Minister said that liberty could not exist without security from outside attack. The threat to liberty was symbolised by 'the massive armies ranged by the Russians against us in the East, and by the stream of propaganda which they continue to direct against our institutions and aspirations'. The Soviet armies in Europe were organised and trained for attack and their military strength was growing. Mrs Thatcher continued: 'The Russians do not publish their intentions. So we must judge them by their military capabilities. I doubt whether any Russian leader would easily contemplate a repetition of the immense sufferings through which his country went less than 40 years ago. But it is up to us to

[1]The speech was printed in pamphlet form by the Foreign and Commonwealth Office.

According to the latest figures available to the Organisation for Economic Co-operation and Development, development assistance provided by Western donors in 1978 totalled some $18,300 million, while that from the countries with centrally planned economies amounted to only $800 million.

ensure that there is no doubt in his mind that this – and worse – would now be the price of any Soviet adventure. That is what we mean when we talk of maintaining the credibility of our defensive forces.'

The Prime Minister pointed out that the NATO alliance could maintain its defences without undue burden, for its members' economies were 'incomparably more prosperous, more productive, more sophisticated and more flexible than the economy of the Soviet Union'. Moreover the peoples of Europe decided of their own free will to enter the Western alliance: 'Unlike the members of the Warsaw Pact, they are consulted about the part defence should play in their national affairs.'

Noting that members of the NATO alliance had agreed on a target of annual increases of 3 per cent in defence expenditure, Mrs Thatcher stressed that Britain was prepared to meet that challenge and looked to its allies to do likewise. Given the inescapable need for the instruments of deterrence, Britain was already taking steps to ensure that its Polaris force would remain effective into the 1990s, and the Government intended that Britain's strategic deterrent, the only European contribution to NATO's deterrent, would remain effective for a long time thereafter. The necessary decisions would be taken within the next few months.

Mrs Thatcher said that the Soviet Government had introduced formidable new weapons (the SS20 missile and the Backfire bomber) and she warned that NATO's equivalent weapons were few in number and becoming obsolete. Unless more modern weapons were deployed, things would get worse, and the Soviet leaders might be tempted into thinking that they could exercise political pressure on Europe. Such a situation could not be allowed to arise. Mrs Thatcher said that she knew that some NATO member countries would not find it easy to take the necessary decisions about modernising nuclear forces. She noted 'Mr Brezhnev's willingness to withdraw a few tanks and troops from East Germany [see p 324) and the conditions he attached to his statement on nuclear weapons', but continued: 'What he said must not divert us from our intention. Our sense of common purpose must prevail.' The British Government would play its part to the full.

The restoration of a military balance in Europe, the Prime Minister pointed out, was not an end in itself but the 'necessary condition for the development of relations between East and West'. Although the West disliked the regimes under which the countries of Eastern Europe lived, their peoples were no less European in spirit than those in Western Europe. Mrs Thatcher continued: 'We should therefore pursue a realistic dialogue with the Soviet Union and the nations of Eastern Europe. . . . We must build on our interests where these coincide with those of the East. We must try to limit the consequences where our interests conflict. To discover where the prospect of agreement, or the risk of conflict lies, we need contacts with the Communist countries at all levels, from the highest to the most humble. Ordinary people should meet – as tourists, as journalists, as teachers, as businessmen, as men of science and the arts. The statesmen of both sides should meet to explain their policies. All this can only help the atmosphere for actual negotiation on the issues of trade, disarmament, arms control, and world affairs which will determine the issue of peace and war itself.'

The European Community

Turning to the subject of the European Community, the Prime Minister said that the founding fathers had had in mind 'a dynamic and evolving organisation that would bring together the peoples of Europe'. The Community had been deliberately left open to 'all those countries that shared the basic political and economic aspirations of the Treaty, whatever the structure of their economies or the nature of their historical experience'. Noting that the Community had given the smaller member states a larger and more distinctive role, Mrs Thatcher said that the life of the Community would become richer and still more varied when the new democracies of Greece, Portugal and Spain became members.

The Prime Minister emphasised that the basic principle of the Community had to be liberty reinforced by representative institutions, economic freedom, the rule of law and a sense of common obligation. All these were reflected in the Treaty of Rome and in the practice of the Community.

Representative Institutions

Mrs Thatcher said that it was the job of the representative institutions of the Community to guide its development and to relieve any strains that occurred in this process. She pointed out that 'national governments must, and will, continue to exercise their responsibilities towards their own electorates' by defending their interests in the Council of Ministers. The often arduous debates in the Council reflected the varied wishes of the peoples of Europe as did the newly elected European Parliament. While national legislatures wanted to retain their sovereign prerogatives, the Parliament could 'enrich the political life of the Community, and make a full contribution to its development'. In particular it could 'diminish any feeling among our peoples that the Community is a remote and uncaring force'.

Economic Freedom

Mrs Thatcher emphasised that the principle of economic freedom was the basis of the Community's economic arrangements, namely the market economy, the free movement of capital, goods and people – all within a framework of just laws. Although tariffs and quotas on trade among its members had been successfully abolished and the Community had tried to tackle obstacles to trade such as the multiplicity of regulations and national standards, the Prime Minister argued that this had frequently gone astray because of the failure of the Community's officials to explain their actions. In addition they had too often gone beyond the simple removal of trade barriers to intervene where no official intervention was needed. In Britain some of the Community's activities had given rise to resentment and irrita-

tion, for the British people were concerned lest bureaucracy in Brussels, and at home, was acting against their true interests. The reputation of the Community depended on 'sound administration and on running a lean and efficient machine'. In the Community, as at home, less government was good government.

The Community nevertheless had much to do as the opponent of unnecessary restraints on economic liberty: 'Travel between our countries would be encouraged by improved transport links across Europe and by cheaper air fares. New opportunities will open up for skilled and professional people when we have agreed on qualifications that will enable them to work anywhere in the Community. In this way the Community could give tangible evidence of the benefit it brings to all our people.'

The Rule of Law

The Prime Minister stressed that the rule of law permeated the whole of the Rome Treaty, the balance of the Community's institutions and the role of the European Court of Justice. Observing that many of the member states had written constitutions, Mrs Thatcher said that Britain had no such constitution as it attached importance to custom and precedent both in law and in daily life. Although the British people saw no advantage in change for its own sake, it could respond flexibly when change was inevitable and be untrammelled by obsolete written words. This different tradition enriched and did not weaken the Community.

Common Obligation

The Prime Minister said that the fourth principle on which the Community was based was that of common obligation. Its health and ultimately its existence depended on a balance of fair play. 'The word "Community" implies that each member country has equal rights and equal duties. No one member can seek a lasting advantage at the expense of another. . . . Each member must have a feeling of well-being in the Community. States, like individuals, must be conscious of their duty to contribute to – as well as profit from – the greater whole.'

British Membership

Confirming that the British Government had a 'whole-hearted commitment to the success of the Community', Mrs Thatcher said that, in addition to the material reasons for belonging to the Community, Britain 'could not have stood aside from a voluntary association designed to express the principles of Western democracy with a strength appropriate to the challenges of the world today. Nor could any enterprise properly lay claim to the proud name of Europe that did not include Britain.' Britain's size and its contribution to the history, arts and civilisation of Europe would have made this impossible. Given the facts that the British had taken the whole of the 1950s to realise these simple truths and that it had taken the six original members of the Community the whole of the 1960s to respond, Mrs Thatcher said that it was not surprising that 'doubts and worries persisted in the 1970s as Britain adjusted to membership – and as the Community adjusted to the presence of one of the greatest of Europe's nation states'.

The Community Budget

Mrs Thatcher commented that this process was unfinished. Observing that Britain had readjusted its trade more rapidly than any other member state over the last seven years, the Prime Minister emphasised that all the obligations under the Common Agricultural Policy had been met. In so doing Britain had given 'great material opportunities to the farmers and industrialists of her partners'. However, the tangible benefits for Britain had been more limited, for some of the Community's policies bore on Britain 'with manifest inequity'. Because of the way in which the Community operated, Britain would be making in 1980 a net contribution of over £1,000 million, much more than any other member. Only two of the eight other member states were less prosperous than Britain, and both would be net beneficiaries from the budget in 1980. These facts had been starkly confirmed by the European Commission. Although some would say that this sum was not so very large, it was 'a heavy burden on Britain' and threatened to absorb 'between 30 per cent and 50 per cent of each year's increase in [Britain's] national wealth in the period immediately ahead'. The burden would grow inexorably if nothing were done.

The problem was not new for, during the British accession negotiations in 1970, the Community had recognised that 'if unacceptable situations' arose on Britain's contributions to the budget 'the very survival of the Community would demand that the institutions find equitable solutions'.

Emphasising that the problem was far worse than people had envisaged in 1970, Mrs Thatcher said that Britain could not accept the present situation on the budget which was demonstrably unjust and politically indefensible: 'I cannot play Sister Bountiful to the Community while my own electorate are being asked to forgo improvements in the fields of health, education, welfare and the rest. The imbalance is not compatible with the spirit of the Community. Its continuation would undermine the sense of solidarity and common obligation which lies at the heart of Community endeavour.' Britain sought a remedy which would restore a broad balance and which would last as long as, but no longer than, the problem. Mrs Thatcher believed that the other member states recognised the need for a solution, and Britain looked for decisions at the European Council at the end of November.

Agriculture and Fisheries

On the question of the Common Agricultural Policy, Mrs Thatcher said that, although Britain fully accepted its importance as one of the Community's central policies, it could not continue on the present basis. Its cost (over 70 per cent of the Community budget) was deeply worrying, for enormous sums of money were wasted 'in storing unwanted agricultural produce and subsidising its sale to other countries'. The Prime Minister there-

fore welcomed 'the growing determination of other Community governments to cut wasteful expenditure on agricultural surpluses'. This expenditure had to be curtailed, and the policy reformed, as member states had no obligation to 'maintain unchanged a policy, however important, whose financing has got out of hand'. It was their duty to correct the situation, for the Community could only be strengthened by a reform in the policy.

Turning to the question of fisheries, Mrs Thatcher said that Britain recognised and shared the wish of its partners to bring the discussions on a common fisheries policy to a conclusion. She believed that a mutually beneficial agreement was possible. Nevertheless, Britain's partners had to recognise that properly enforced conservation rules were vital. 'The consequences of over-fishing in Europe's coastal waters are only too obvious. Good management of fish stocks is, after all, a common interest: we cannot have a common fisheries policy if there are no fish.'

Energy

On energy Mrs Thatcher stressed the need for a joint European response to the present crisis. Although Europe was ill supplied with oil, it had an abundance of coal, and the British Government had put forward proposals to make better use of it. Collaboration also needed to be developed on civil nuclear research and development. Recognising that grave doubts existed in Luxembourg about the civil uses of nuclear power, Mrs Thatcher said that Britain's experience had been reassuring. Even safer techniques could be developed and fears dispelled through the pooling of knowledge and expertise. Referring to North Sea oil, the Prime Minister emphasised that Britain was aware of its obligations to the other Community members who were buying large quantities of British crude oil.

Conclusion

Concluding her speech, Mrs Thatcher said that the Community was a noble concept embodying the ideals of liberty. It was not solely – or even primarily – an affair of budgets and butter mountains; of tachographs and wine lakes. It far transcended these matters. The Community had immense achievements behind it, and the rest of the world took it 'ever more seriously as an example of successful collaboration between sovereign states for their mutual benefit'.

European Community

Developments in the European Community in October included the second reading by the House of Commons of the European Communities (Greek Accession) Bill providing for British ratification of the Greek Treaty of Accession signed in Athens in May 1979; the signature at Lomé, Togo, of a second five-year trade and aid agreement between the Community and 58 countries in Africa, the Caribbean and the Pacific; a meeting of the Community's development ministers to discuss aid to non-Lomé developing countries and certain other matters; and an agreement by Community foreign ministers to provide further financial assistance to the people of Cambodia. In addition the questions of French restrictions on the import of British lamb and of a future Community sheepmeat regime were discussed by the Council of Agricultural Ministers. The need for a reduction in Britain's contribution to the Community's budget was discussed by the Prime Minister in a speech in Luxembourg on 18 October (see p 320).

EXTERNAL RELATIONS

Greece's Accession to the Community

Introducing the Bill on 30 October (*Hansard*, cols 1041-94), the Lord Privy Seal, Sir Ian Gilmour, explained that its strict purpose was to ensure that, once Greece became a member of the Community on 1 January 1981, Britain fully honoured the obligations undertaken in the treaties of accession between Greece and the Community. Its political and international significance lay in the fact that it was welcoming Greece into the mainstream of Western European democracy following her emergence from the grip of a military dictatorship. Sir Ian said that since 1962, when Greece became the first associate of the Community,[1] both Greece and the Community had looked forward to the day when Greece would become a full member as provided for in the Treaty of Athens. Greece's accession could be seen as a fitting repayment by contemporary Europe of the cultural and political debt owed to a Greek heritage almost 3,000 years old.

Sir Ian pointed out that the Community had shown understanding of the problems involved for Greece by agreeing to transitional arrangements to ease adaptation. He fully shared Greece's confidence in its ability to shoulder successfully the full range of Community obligations. The absorption of a tenth member was 'a significant event for the Community's institutions and mechanisms' and was the first stage of its enlargement as both Portugal and Spain were seeking admission having emerged recently from a period of repression.

Noting that the absorption of three relatively less prosperous economies with large agricultural sectors would lead to new strains on the Common Agricultural Policy, the regional and social funds, and Community policies and institutions generally, Sir Ian emphasised that the economic and financial costs of enlargement were 'outweighed by the political gains for Western democracy of a larger, stronger Europe'. Britain was fully committed to supporting enlargement and hoped that Portugal and Spain would be able to join within a reasonably short interval after the entry of Greece.

Commenting on the significance for Britain of Greek accession, Sir Ian said that it would put

[1] These arrangements were frozen during the period of military dictatorship from 1967 to 1974.

bilateral relations on a new footing and create even closer links between the two countries. The traditionally excellent political, economic and cultural relations with Greece would take on new strength and permanency. Moreover, Greek accession would provide British exporters with new opportunities in one of the fastest growing markets in Europe when Greece dismantled its tariffs and other restrictions.

Sir Ian said that there would also be budgetary and economic costs. If the Government's efforts to reduce Britain's contribution to the Community budget were successful – and they had to be successful – the budgetary cost of Greek accession would be reduced correspondingly. On the economic costs Sir' Ian said that Britain would have to open its market to Greece. Although tariffs against Greek-manufactured products had already been zero for some years, certain import restrictions remained in a few sectors such as textiles and clothing. The Lord Privy Seal pointed out that Greece's Treaty of Accession contained a safeguard clause designed to ensure that sensitive sectors in the economies of member states and Greece were protected against disruptive upsurges of imports.

Referring to Turkey and the problems of the Eastern Mediterranean, Sir Ian said that Turkey was anxious that Greek accession should not tilt the Community against it. Britain and her partners were determined that this should not happen and had tried to reassure Turkey on this score. At the same time efforts were being made to 'put the present economic relations between the Community and Turkey onto a sounder footing'. Although these efforts were inevitably complicated by current political uncertainty in Turkey, the Community would persevere.

Opposition View

Replying on behalf of the Official Opposition, Mr Peter Shore said that Greek democracy would be helped and strengthened by partnership with other European democratic nations. If the Greek application was turned down and the treaty rejected, it would be a rebuff of the 'most appalling kind'. Mr Shore welcomed the fact that the 'relative poverty' of Greece had not been made an obstacle to membership. If the Community was genuinely open to all European countries, it had to take in the poorer countries in the south.

Pointing out that the new and poorer countries were bound to be major beneficiaries of Community funds, Mr Shore said that this made it all the more essential 'to secure an early and massive change in Britain's contribution to the EEC and in the method of financing it'.

The Second Lomé Convention

The new five-year trade and aid convention between the Community and 58 countries (including 29 members of the Commonwealth) in Africa, the Caribbean and the Pacific (the ACP countries) was signed in Lomé on 31 October. The new convention (Lomé II) succeeds and extends the first Lomé Convention (see pp 51-3, 1975) which expires in March 1980. Details of the new agreement were outlined by Mr Douglas Hurd, Minister of State at the Foreign and Commonwealth Office, in a written answer to a parliamentary question on 26 October (*Hansard*, cols 329-30). The main features of Lomé II are as follows:

(a) Trade arrangements will remain substantially the same as those of Lomé I. The ACP countries will continue to receive unlimited duty-free access to the Community – subject to a safeguard clause which has never been invoked – for all industrial and the large majority of agricultural products. The new convention provides for improved access to the Community market for various agricultural exports, notably Commonwealth exports of rum and beef. A revised banana protocol commits the Community to support a joint ACP producer organisation for bananas.

(b) The amount of Community aid and European Investment Bank lending is to be increased from £2,169 million under Lomé I to £3,345 million. The aid, of which Britain will contribute about 18 per cent, is channelled through the European Development Fund and most is allocated for the purposes of rural development, industrialisation, economic infrastructure, and social development.

(c) The STABEX scheme designed to stabilise commodity prices will be expanded to cover 44 products instead of 34. The additional products will include rubber, pepper, cashew kernels, cotton seed, oil cakes, peas, beans and lentils, and some seafoods. The scheme compensates ACP countries for losses, caused by market fluctuations, on their exports to the Community of the commodities covered by the convention.

(d) A new arrangement to help ACP mineral producers when their production and income suffers as a result of temporary disruptions beyond their control. The minerals covered include copper, cobalt, phosphates, bauxite and aluminium, manganese, tin, iron ore and iron pyrites. Assistance will take the form of a special loan to finance projects aimed at restoring production.

(e) A number of new commitments have been made on both sides concerning the promotion and protection of investments from the Community and its member states in ACP countries.

(f) A new chapter makes provision for agricultural co-operation including the creation of a technical centre for agricultural and rural co-operation.

(g) Other new provisions concern industrial co-operation, notably a section on Community-ACP co-operation in the field of energy.

(h) A considerably expanded Community-ACP declaration on sea fishing in which the ACP states declare their willingness to negotiate bilateral fishery agreements with the Community.

Developing Countries Outside the Lomé Convention

Discussions concerning Community aid to the developing countries outside the Lomé Convention took place at a meeting of the Council of European Development Ministers on 23 October. Britain was represented by the Minister for Overseas Development, Mr Neil Marten.

Community aid to these countries started in 1976 following representations by Britain and the Netherlands, and increased from 20 million European units of account (EUA) in 1976 to 110 million EUA in 1979. The current year's programme provides for expenditure on 42 development projects in India, Pakistan, Bangladesh, other countries in Asia, Latin America and (to a small extent) Africa. Because Britain is concerned that the Community should base its aid policy on the needs of developing countries anywhere in the world, the Government is pressing for an increase in the Community's 1980 aid programme to 140 million EUA. (In early November one EUA equalled £0·67 sterling.)

Supported by Britain the Council agreed to forward to the Council of Foreign Ministers a proposed regulation to put aid to non-Lomé countries within a permanent framework as opposed to the present system under which aid is agreed on an *ad hoc* basis in accordance with guidelines proposed annually by the European Commission.

During a Council discussion on the economic dialogue between the world's developing and developed countries, Mr Marten said that the Community needed to be as constructive as possible but warned: 'World economic prospects look gloomy and there are limits to what we can do. We must not raise unrealistic expectations in the Group of 77 [developing countries] and make them believe that we can "manage" or "restructure" the world economy.'

International Sugar Agreement

During the October meeting of European development ministers, Mr Marten said that the Community should join the International Sugar Agreement and accept the consequent restrictions on its sugar exports. (The International Sugar Agreement 1977 came into force in January 1978. It is designed to stabilise the free market price of sugar within a range of 11 to 21 US cents per pound through a combination of export quotas and internationally co-ordinated, nationally held reserve stocks. The agreement contains a provision under which the Community can accede on special terms to be negotiated.)

Mr Marten pointed out that cane sugar production was 'crucial' to many developing countries, including the ACP signatories to the Lomé Sugar Protocol of 1975. (The Protocol, under which the Community allows annual access for 1·4 million tonnes of ACP sugar, is an unlimited agreement and therefore was not renegotiated during the recent discussions leading to the signature of Lomé II. Despite the help provided through the Protocol, the ACP sugar producers still have to sell a third of their production on the world market.) Many developing countries suffered when the world sugar market was 'depressed by the unrestrained export of the major producers including the Community'.

While recognising the importance of beet sugar production to many Community farmers, Mr Marten said that the time had come for all major producers to discipline their exports. Noting that the Community had agreed internally to seek membership of the International Sugar Agreement over two years ago (on the basis of mechanisms similar to the commitment accepted by other exporters), Mr Marten emphasised that action on this mandate was long overdue, and called for exploratory discussions between the Community and the International Sugar Agreement.

Aid for Cambodia

Details of increased Community aid to relieve starvation in Cambodia were announced on 30 October following a meeting of the Council of Foreign Ministers. Some $35 million is to be provided for transport assistance, emergency aid, medical supplies and food aid. This is in addition to the $7 million for Cambodia agreed by the Council in July. Consultations will take place with the United Nations Children's Fund and the International Red Cross about the disbursement of the money, some of which will be allocated to support Cambodian refugees in Thailand. The Council expressed its appreciation of the recent decision of the Thai Government to grant refugee status to Cambodians crossing into Thailand and its determination to help the Thai Government to cope with the problem.

In addition to contributing to Community aid Britain has promised relief aid to Cambodia worth over £3·5 million. This consists of about £2·3 million for use by international relief agencies in the country; the cost of at least 1,800 tonnes of rice for distribution in Cambodia as soon as practicable; the cost of a 30-day airlift (now in progress by Royal Air Force Hercules aircraft from Bangkok to Phnom Penh) of supplies being provided by the International Committee of the Red Cross; and the cost of chartering a CL44 aircraft to fly out voluntary agency supplies to Phnom Penh direct from London.

AGRICULTURE

Lamb Exports

Following a judgment of the Community's Court of Justice that French restrictions on lamb imports violated Community rules, the British Government and the Commission have asked France to lift the restrictions.

Tariffs on trade in agricultural products between Britain and the other member countries were abolished after the completion of the transitional period at the end of 1977. However, France has been applying levies, and – at times – a total ban, on imports of lamb from Britain, in order to maintain the relatively high prices realised by French lamb producers.

The Court's judgment, announced on 25 September, resulted from a complaint by the Commission against the French restrictions. Following the announcement of the judgment, France indicated that it would not lift the restrictions until a Community sheepmeat regime had been agreed. (Unlike other main agricultural products, mutton and lamb are not subject to a Community-wide marketing and price support system; see p 324.) At the meeting of the Council of Ministers on 29 and 30 October, Britain's Minister of Agriculture, Mr Peter Walker, demanded an assurance that the French Government would comply with the

judgment of the European Court by 'removing immediately and permanently all levies or restrictions of any kind on imports of sheepmeat' from Britain; the French minister declined to give such an assurance (*Hansard*, 31.10.79, col 1246). Answering a question in the House of Commons, Mr Walker said that, although the French Government had permitted 'very limited' imports of British lamb, it was not allowing unrestricted access to the French market for British sheepmeat. He had asked that the Commission should 'fulfil [its] responsibility of upholding the treaties', and he understood that the Commission was prepared to take action with the French Government to ensure compliance with the Court's ruling (*Hansard*, 2.11.79, written answers, cols 618-9). It has since been reported that the Commission has requested France to remove the restrictions.

Sheepmeat Regime

The Council meeting also discussed proposals for a Community regime for sheepmeat. France proposed the adoption of measures which would enable the Community to control or reduce the level of imports from non-member countries. The British Minister of Agriculture said that in no circumstances would Britain agree to any diminution of New Zealand's rights. (Britain imports about half of its mutton and lamb requirements from New Zealand.) He also rejected French suggestions for intervention measures, and made it clear that the Government could not accept proposals for Community-financed premiums that 'discriminated grossly' against Britain, or any regime that 'did not fully safeguard the interests of British producers and consumers, and New Zealand'.

Defence and Disarmament

Britain's views on defence, arms control and disarmament were expounded in recent ministerial speeches.

MILITARY BALANCE AND EAST-WEST RELATIONS

In a speech to the German Society for Foreign Policy in Bonn on 31 October, the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, spoke of 'the steady growth of Soviet military power', pointing out that the Soviet Union had reached 'broad parity' in nuclear weapons with the United States and, in some areas, had achieved 'a limited, although probably temporary, superiority'. It also had 'the capacity to apply a conventional force far beyond its own borders'. The Soviet strategic doctrine, Lord Carrington added, stressed offensive operations, and Soviet forces were equipped and deployed accordingly. The Soviet Union, therefore, could hardly be surprised if the West drew prudent conclusions about its own need for proper defences.

The Secretary of State welcomed President Brezhnev's decision to withdraw 1,000 tanks and up to 20,000 Soviet soldiers from East Germany,[1] but said that it would not significantly affect the basic problem. The Warsaw Pact armies in Central Europe would still have there almost three times as many tanks as the North Atlantic Treaty Organisation (NATO) and about 140,000 more soldiers, 'and the quality of these armies is improving all the time as a result of a massive programme of re-equipment'. However, Lord Carrington hoped that, following Mr Brezhnev's decision, progress could at last be made in the Mutual and Balanced Force Reduction negotiations (see pp 6-7). He believed that progress would come when the Soviet Union and its allies accepted that 'stability can be built only on foundations of genuine equality'.

Explaining the basis of deterrence, the Foreign Secretary said: 'We know two things about nuclear war. It would be immensely destructive; and nobody has any practical experience of how a nuclear war would be managed or terminated. . . . No one can . . . be certain how untried weapons will work in war or how national, political and military authorities will function under the unprecedented stress of nuclear battle. . . . It is on this political uncertainty that deterrence rests.'

In order to sustain deterrence, the West needed its present strategy of forward defence and flexible response (see p 325). It was necessary that the Soviet Union knew that the West had all it needed to defend itself, including 'a full and varied armoury' of nuclear weapons and 'adequate' conventional weapons. A political as well as a military balance was involved.

The arrival of strategic nuclear parity meant that the West had to look closely at its existing range of nuclear weapons. The American land-based inter-continental missiles would soon be vulnerable to surprise attack, though the United States had the skill to devise weapons – such as the proposed MX missile on a mobile platform – invulnerable even to the powerful and accurate new Soviet missiles. The situation in Europe was less satisfactory. In recent years the Soviet Union had been deploying in large numbers the new and sophisticated SS20 missile, which had mobile launchers and three independently-targeted warheads, and the Backfire supersonic bombers. Both could hit Western Europe from bases well east of the Urals. By contrast, NATO had dismantled its medium-range missiles in Europe in the 1960s. Its not very numerous medium-range bombers were ageing and increasingly vulnerable to new Soviet weapons. It had done nothing to justify the significant increase in the number of warheads which the new weapons enabled the Soviet Union to bring to bear on Europe.

'It is against this background', continued Lord Carrington, 'that we should judge President Brezhnev's offer [in his Berlin speech, see above] to reduce the number of Soviet nuclear weapons in Europe provided that the West does not bring in additional nuclear weapons of its own. He claims that the Soviet Union has not increased the numbers of long-range missiles or aircraft in the European part of the Soviet Union for the last ten

[1]President Brezhnev announced this decision in a speech made in East Berlin on 6 October.

years. Given the range of the new Soviet weapons, the Soviet Union does not need to.' It could keep its new weapons east of the Urals, 'and with the triple warheads of the SS20 they would still constitute a nuclear threat which is significantly greater than Europe has faced before'. This and the obsolescence of its own comparable forces compelled the West to modernise in order to avoid a 'glaring imbalance' in the 1980s. 'Nothing in what Mr Brezhnev said alters this.'

Lord Carrington also referred to the link between the modernisation of the West's forces and arms control. 'Arms control', he explained, 'is the partner of a sensible and adequate defence; together they work for security. The balance of forces need not – should not – be set at the present appallingly high level. President Brezhnev's apparent willingness to negotiate is therefore welcome. An agreement which established a fair and balanced relationship would benefit us all.

'Defence and arms control, important though they are, make up only a part of the relationship between East and West. That relationship is a broad web, woven out of political exchanges between heads of government and ministers, of practical negotiations about commerce, of the expansion of trade, of tourism and the meeting of ordinary people.' In this context, the Foreign Secretary recalled the Prime Minister's views, outlined in her Luxembourg speech, about the policy required in the West's relations with the East (see p 318), and said: 'It is constructive policy, which serves the true interests of the superpowers as well as of the whole of Europe. We in Britain intend to pursue it vigorously in our relations with the Soviet Union and its associates.'

BRITAIN AND NATO: NUCLEAR WEAPONS POLICY

Forthcoming decisions on nuclear weapons, to be taken by Britain both nationally and collectively with its allies, were set into perspective by the Secretary of State for Defence, Mr Francis Pym, in a speech in Nottingham on 26 October. Mr Pym drew attention to three factors: the threat faced by Britain; the history of the development of Soviet nuclear capability; and 'the requirement of NATO strategy, designed to keep the peace in Europe and thus to prevent the use by any party of any weapons of destruction, whether nuclear or conventional'.

The Threat

In making an assessment of the threat which confronts Britain, said the Defence Secretary, 'one has to begin with the stark fact that the nations of the Warsaw Pact in general, and the Soviet Union in particular, are engaged in a steady and large-scale build-up of their military forces'. (See pp 51-2.) In the light of this, NATO had in 1978 endorsed a long-term defence programme to strengthen its defence and deterrent capability and to ensure that it would be able to meet the dangers and risks of the 1980s (see p 52). 'NATO's aim of a 3 per cent real growth in national defence spending throughout the Alliance up to 1986 [see p 146] represents a real commitment to providing an adequate military capability for the decade ahead.' (The Government's expenditure plans for 1980-81, announced on 1 November, include a 3 per cent increase in the defence programme – see p 333.)

Soviet Nuclear Capability

On the development of Soviet nuclear capability, Mr Pym pointed out that there was nothing new in the deployment by the Soviet Union of weapon systems which could deliver nuclear weapons onto targets in Europe, but not in the United States. What had given rise to very real concern was the Soviet Union's introduction since the mid-1970s of sophisticated new systems 'in sharp contrast' to NATO (see p 324). 'Against this threatening power, NATO strategy must be to deter and prevent aggression by possessing a fully credible response to attack at any level. The threat of an immediate resort to nuclear weapons following a conventional attack is not a credible strategy, particularly in an era of strategic nuclear parity. That is the reason why the Alliance has a strategy of "flexible response". We must have adequate strength at the conventional level not to need to resort immediately to nuclear weapons. We must also be able to employ theatre and strategic nuclear weapons as and when necessary. . . .'

NATO Strategy

'NATO', Mr Pym said, 'has three broad levels of forces – the "triad" of conventional forces, theatre nuclear forces and strategic nuclear forces. The relationship between these three elements is very important and rather complex. Each one must remain credible in itself and in its own right so that it really does deter effectively at that level. At the same time, each element must be closely enough linked to the other two levels to ensure that any aggressor would be in no doubt that any possible success at one level would involve and attract a response at a higher level, if necessary all the way up to the strategic level.'

To make sure that this strategy continued to be fully effective, it was necessary to take full account of the massive scale of Soviet developments in recent years. 'The Alliance is resolved to modernise its theatre nuclear forces, and to take a decision in December as to how this should be done.' The aim was to maintain the capacity 'to respond across the whole spectrum of deterrence'. The Alliance was not intending, nor was it necessary, 'to match each Soviet development system for system'. But, in order to maintain its capability and flexibility, it had to have 'nuclear weapons capable of striking the Soviet Union from Europe in a situation in which the only alternative would be to resort to strategic forces'. This capability had a crucial role in linking all three elements in the strategy. The Alliance should not allow itself to get into a position where it could be open to political blackmail by being threatened at a level of force at which it was unable to offer an effective or appropriate reply. 'Such a situation would risk the use of the ultimate strategic

deterrent at a stage when it ought not to be necessary.'

Britain, Mr Pym continued, contributed to the Alliance's collective defence at all levels of deterrence. Its nuclear capability provided 'a second and entirely independent centre of decision-making within NATO', making the task of any potential adversary much more complicated because this second centre increased the uncertainties that had to be taken into account. The Government was fully committed to the maintenance of Britain's strategic capability. It would continue to improve the Polaris strategic nuclear force 'so that it will remain an ultimate deterrent to aggression into the 1990s'. Furthermore, consideration was already being given to the action that would be necessary to continue Britain's strategic deterrent capability 'for as long as necessary thereafter'.

Arms Control

Pointing out that 'détente is the best, and indeed the only suitable way in the end to develop East-West relations', Mr Pym said there was no inconsistency between adequate defence and a policy of détente, and both had to be pursued. A good example of this was the parallel approach being pursued by the Alliance, involving arms control and theatre nuclear force modernisation. If an arms control approach were to contribute to increased stability, rather than perpetuate Soviet advantage, it needed to satisfy two requirements. It had to meet the needs of Alliance strategy, and arms control limitations had to be consistent with the principle of equality. Mr Pym could not see what incentive the Soviet Union would have to make the major concessions required to redress the current and growing inequality in their favour unless the Alliance improved its own capability. The Alliance welcomed President Brezhnev's apparent willingness to negotiate on limitations on theatre nuclear forces, 'but arms control by itself can be no substitute for modernisation'. In conclusion, Mr Pym said: 'Only if the Alliance takes the necessary steps to provide for the continuing credibility of its own theatre nuclear weapons can we hope for effective negotiations, leading to greater stability and predictability over the whole spectrum of defence.'

THE BRITISH APPROACH TO DISARMAMENT

'The new British Government will continue the task of trying to influence the world in the direction of greater peace and security', said Mr Douglas Hurd, Minister of State for Foreign and Commonwealth Affairs, in a speech in the United Nations on 17 October.[1]

'Security is the necessary condition of all successful foreign policy', he continued. Security without war was Britain's prime purpose, but security was not only a matter of military strength. In parallel with defensive arrangements and diplomacy, Britain sought measures of arms control and disarmament 'to maintain the balance of security at a lower level of risk and expense'.[1] However, experience showed that such measures could not be negotiated from weakness. Unless a country's defences were convincing, it could not strike a true bargain with the opposing forces. 'We cannot realistically hope to lower the level of military confrontation unless we start from a position of balance.'

The British Government believed that realistic and verifiable arms control and disarmament measures could enhance national security. 'But', said Mr Hurd, 'we will not achieve practical agreements unless steps towards them are balanced and can be verified. Arms control agreements which are not carefully worked out in detail, and proposals which favour one side rather than another, in the end contribute nothing to the stability of the world as a whole.' One should, therefore, be cautious about sweeping proposals for disarmament, particularly in the nuclear field. The Government preferred to seek agreement on specific measures, 'to move step by step, each step making our world a somewhat safer and more civilised place'. The objective should be 'to reduce nuclear arsenals without diminishing the security of any state'. At the same time, the Government would continue to maintain that 'measures to curb the nuclear arms race must go hand in hand with measures to reduce arsenals of conventional weapons'.

Britain would take whatever steps were necessary to assure its defence, while seeking at the same time to achieve through arms control negotiations lower levels of forces 'which provide neither side with a dangerous advantage over the other'. There was no contradiction in this 'double approach – modernisation of forces coupled with arms control negotiations'. It was 'the only approach which fits the logic of the present military situation in Europe'.

Mr Hurd emphasised that people everywhere would benefit 'from a relaxation of military, political and ideological tension, from the growth of trade, from the exchange of ideas and people, and from the transfer of resources from defence to civil purposes'. He added: 'But the obligation to work for a relaxation of tensions is mutual. It must apply to all parts of the world, and to all countries – not just the super-powers, not just to Europe. Reductions in military forces and armaments will be a result of reductions in political tension, not a cause.'

The United Nations

The Minister of State recalled that Britain had played a prominent part in the United Nations (UN) special session on disarmament, particularly in proposals for the reform of disarmament machinery (see pp 286-8, 1978). A British proposal that nuclear weapon states should give assurances to non-nuclear weapon states about their security against nuclear attack had also been followed up during the special session.

The Government believed that, in addition to implementing the proposals endorsed in the plan of action outlined in the session's Final Document,

[1]Mr Hurd was speaking in the General Assembly's First Committee, which deals with political and security matters.

[1]For background to the subject, see COI reference pamphlet *Arms Control and Disarmament*, R6031/77.

member countries should go beyond the existing negotiations into new areas where there was the prospect of agreement. These included 'developing an international consensus on further measures to minimise the risk of nuclear weapons proliferation; taking steps to extend the application of the arms control regime in outer space; encouraging the regional approach to disarmament, including the establishment of nuclear-weapon-free zones in areas where security is not founded on nuclear deterrence; opening consultations between arms suppliers and recipients on conventional arms transfers, possibly on a regional basis; securing a better supply of information on military expenditure; encouraging efforts to establish whether a standardised UN reporting system could form an agreed basis for negotiating a multilateral, balanced and verifiable reduction of military budgets'. Britain also hoped that more nations would adhere to the existing arms control and disarmament agreements and that more attention would be paid to mechanisms for anticipating crises, for peace-keeping and the peaceful settlement of disputes. Finally, the Government was in favour of broadening and deepening confidence-building measures, particularly in Europe. These measures, 'designed to ensure that military activities are limited to what is normal in peacetime and do not give rise to dangerous misunderstandings, can make an important contribution to regional stability'.

Nuclear Weapons

'The major responsibility for nuclear disarmament obviously lies with the super-powers', said Mr Hurd. The Government looked forward to early ratification of the second Strategic Arms Limitation agreement (SALT II) by both sides (see p 187). It believed that a comprehensive test ban treaty could help to curb both the horizontal and vertical proliferation of nuclear weapons, would further the objectives endorsed by all states at the special session on disarmament, and would meet the objections of those who argue that the Non-Proliferation Treaty discriminates in favour of nuclear-weapon states. Much progress had been made in the current negotiations on a comprehensive test ban treaty between the United States, the Soviet Union and Britain, but there were still difficult problems, particularly over verification. Britain believed that verification measures were needed to provide the necessary confidence in compliance; but 'they must also have some foundations in common sense'. The Government 'will make every effort to bring to a successful and early conclusion a viable and fair treaty which will attract the adherence of as many states as possible, both nuclear and non-nuclear'.

The Minister of State recalled that the non-nuclear-weapon states had been given assurances by the nuclear-weapon states that nuclear weapons would not be used against them. 'These assurances should have gone some way towards strengthening the security of non-nuclear-weapon states. The knowledge that they are not under a nuclear threat may remove one of the motives for acquiring nuclear weapons.' This had been a useful contribution to non-proliferation efforts.

Non-proliferation

'The Final Document of the UN special session', pointed out Mr Hurd, 'declared that the goal of nuclear non-proliferation is, on the one hand, to prevent the emergence of any additional nuclear-weapon state, and on the other, progressively to reduce and eventually eliminate nuclear weapons altogether.' The 1968 Non-Proliferation Treaty reflected a balance of obligations under both headings. That treaty had now been accepted by 108 non-nuclear-weapon states, including nearly all the most advanced industrial states in the world; they had thereby renounced nuclear weapons. 'I very much regret', said the Minister of State, 'that it has not won universal adherence.'

The growth of civil nuclear industries in the world had continued under the aegis of the International Atomic Energy Agency (IAEA), but more remained to be done. While nations should be enabled to reap the benefits of nuclear power, a way had to be found 'of wedding this legitimate desire for increased access to peaceful nuclear energy with the universal aim of preventing the spread of nuclear weapons'. The non-proliferation regime based on the treaty had resulted in relative stability for a number of years. However, 'there are disquieting signs that this situation is coming under increasing pressure, with the attendant risks of a nuclear arms race. New political efforts are needed to prevent such a disaster from happening. For we should be in no doubt that the collapse of the non-proliferation regime would be a disaster indeed.'

The Governments saw 'a pressing need for nuclear supplier and customer countries to come together to forge a new and reinforced consensus on nuclear trade for the 1980s'. It was necessary to build on the foundations provided by the International Nuclear Fuel Cycle Evaluation Study[1] to carry forward and bring to a successful conclusion consideration of individual issues which have a bearing on nuclear trade. Britain believed the IAEA could play a key role in carrying forward this debate. The matters for discussion included improved supply assurances, improved safeguards to detect and prevent the diversion of nuclear materials, the management of plutonium under international control, and arrangements for spent fuel storage.

Conventional Weapons

Mr Hurd pointed out that four-fifths of the world's military expenditure – totalling around $400,000 million – went on conventional armaments and forces. Together with other Western countries, Britain had pressed at the UN special session for multilateral discussions on ways to curb the worldwide accumulation of conventional weapons, 'but even a modest proposal for a UN study of the problem was not agreed'. However, the Final Document included a British proposal for consul-

[1]The aim of the International Nuclear Fuel Cycle Evaluation Study is to find the best ways of increasing the production of nuclear energy while reducing the risks of nuclear proliferation (see p 226, 1977, and p 181, 1978).

tations among major arms suppliers and recipient countries on the limitation of all types of international transfers of conventional weapons. Britain believed that the international community, through the United Nations, should give greater attention to these problems. 'The regional approach appears to offer the most hopeful prospects for success in this difficult area.'

The Minister of State considered that the UN Weaponry Conference which had just ended in Geneva 'was an imaginative attempt to place prohibitions or restrictions on the use of certain conventional weapons deemed to cause unnecessary suffering or to be indiscriminate in their effects'. It had been disappointing that the Conference had closed without agreement on any of the principal proposals before it. Mr Hurd recalled the British initiative on a proposed convention on landmines and related devices. Agreement had been reached on certain matters, and prospects were favourable for the conclusions of this and other conventions when the Conference resumed. (The Conference is to meet again in September 1980.)

Other Weapons

Reviewing recent discussions in the UN Committee on Disarmament, Mr Hurd said that, with regard to chemical weapons, the Government believed that a multilateral convention on their prohibition could not be prepared until the United States and the Soviet Union – which had been engaged in bilateral negotiations on the subject – had established a basis for agreement. Meanwhile, the chemical weapons workshops for international experts, arranged by the Federal Republic of Germany and Britain in March, had made an important contribution to an understanding of the requirements and problems relating to the verification of a chemical weapons ban. Britain believed that such visits could be a valuable confidence-building measure.

As for the other weapons of mass destruction, continued the Minister of State, the Government welcomed the fact that the United States and the Soviet Union had presented in the Committee on Disarmament a joint text containing the elements of a draft treaty to ban radiological weapons – that is, weapons which would rely for their effect on the release of radio-active materials into the environment without a nuclear explosion. Britain would work for the negotiation of a multilateral treaty when the Committee on Disarmament resumed its work early in 1980.

With regard to calls for a treaty to prevent the emergence of so-called 'new weapons of mass destruction' not covered by the definition agreed in 1948 by the Commission on Conventional Armaments, Mr Hurd said that the Government continued to see merit in the idea of tackling the development of any such weapon once it had been identified. This had been the approach preferred in the Final Document of the special session, and the Minister of State thought that 'the best way to reach agreement is to draw up a composite resolution on the subject which can be adopted by consensus'.

UK – Chinese Relations

In November, during a visit to Britain by Premier Hua Guofeng, the Governments of the United Kingdom and the People's Republic of China concluded agreements covering air services and cultural exchanges between the two countries. Premier Hua, who was accompanied by Vice-Premier Yu Qiuli and Foreign Minister Huang Hua, also had discussions with Britain's Prime Minister, Mrs Margaret Thatcher, and other ministers on a wide range of international and bilateral issues.

The air services agreement, which was signed by Vice-Premier Yu Qiuli and Britain's Secretary of State for Trade, Mr John Nott, provides for scheduled services by the airlines of both countries between London and Peking to begin in April 1980. It also provides for new air services between Hong Kong and the most important Chinese cities. The cultural agreement, signed by Foreign Minister Huang Hua and Britain's Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, supplements the agreement on scientific and technological co-operation concluded in November 1978 (see pp 430-1, 1978), and provides for increased exchanges in the arts, education, publishing and sport. It also refers to the possible establishment in each country of cultural centres, the first time China has agreed to such an arrangement with another country.

Prime Minister's Speech

At a welcoming dinner for Premier Hua at 10 Downing Street on 30 October, Mrs Thatcher spoke of Britain's desire to work closely with China which, as a country of great size, immense population and rich material, human and cultural resources, had a vital role to play on the international stage. China shared with Britain the responsibilities entailed in being a permanent member of the United Nations Security Council and a nuclear power.

The Chinese Government, Mrs Thatcher continued, had repeatedly made clear that it wanted peace and stability to enable it to carry forward its modernisation programme. Britain shared this interest. A necessary condition for peace and stability between the North Atlantic Treaty Organisation and the Warsaw Pact countries, she explained, was the maintenance of the military balance, and Britain was committed to taking the necessary action to ensure that the balance was restored (see p 324). At the same time, Britain would continue to seek areas of co-operation between Eastern and Western Europe with the objective of building a better relationship.

With respect to bilateral relations between China and Britain, Mrs Thatcher said that 1979 had already seen important landmarks: the first official visits to the People's Republic by a Governor of Hong Kong in March and by a member of the royal family, the Duke of Kent, in June. Premier Hua's visit also had a unique significance, being the first visit to Britain by a Premier of the People's Republic. It was important also as a firm

indication of China's determination to improve its relations with Britain and to seek British co-operation in implementing its modernisation plans. Both the Government and British industry were enthusiastic about the prospect of working with China to the mutual benefit of both countries, economies and peoples.

Talks

During his visit, which took place between 28 October and 3 November, Premier Hua had two sessions of talks with Mrs Thatcher. International matters discussed included East-West relations, South-East Asia and the problem of refugees in that region, Southern Africa and Britain's approach to the European Community and the North Atlantic Treaty Alliance. In discussions about Hong Kong, Premier Hua agreed, at Mrs Thatcher's request, to examine ways of reducing the flow of illegal immigrants into the colony from China (see also p 227). In separate talks, Lord Carrington and Foreign Minister Huang Hua discussed nuclear proliferation, and developments in Korea and Southern Africa. Other matters discussed during the visit included trade and commercial relations, particularly with respect to coal, minerals, mining, railways, power generation, oil, offshore technology and mining equipment. In addition, Mrs Thatcher told Premier Hua that Britain was prepared to supply certain items of defensive military equipment to China, including Harrier aircraft, as part of a wider relationship and subject to its other obligations.

Bilateral Relations

Britain's trade relations with China have developed rapidly since China launched its modernisation programme, now under review, in 1978. A science and technology agreement between the two countries was concluded in November 1978 (see p 430, 1978), and this was followed in March 1979 by an economic co-operation agreement which set a target of $14,000 million in trade and other economic activity between the two countries by 1985 (see pp 72-3). To facilitate this, Britain has agreed to provide support for credit to China of up to $5,000 million during this period for appropriate imports from Britain, this to be made available on the most preferential terms consistent with Britain's international obligations. At present, seven separate deposit facilities by British banks, backed by the Export Credits Guarantee Department and with a total value of $1,200 million, are available for the export of capital goods and associated services to China.

Shortage of foreign exchange has led China to seek to pay for imports by means of countertrade, and to invite foreign participation in joint ventures, especially in light industry and consumer goods industries which have export potential. The British Government believes that money provides the most flexible and efficient means of exchanging goods, but, recognising that a number of countries require business to be conducted on this basis, it does not object to British firms making such agreements. Where such arrangements are found to be necessary, government help for exporters is available as normal.

In 1978 Britain had a trade deficit with China of some £19 million, exports totalling £91 million and imports £111 million. In the first nine months of 1979, however, exports amounted to £171 million and imports to £100 million, giving a trade balance in Britain's favour for the first time since 1975. British exports consist mainly of high technology goods and equipment. Aerospace and mining equipment are particularly successful sectors, though the pattern varies according to the changes in China's foreign trade policy and its planning cycle. Imports from China consist mainly of foodstuffs, textiles and indigenous products (such as furs and handicrafts).

British firms have been awarded many major contracts to assist China's modernisation. The most recent is a contract secured by the Bowater Corporation in November, under which, as an international trader, it will arrange in each of the next three years the export to China of goods worth $50 million and sell $50 million worth of Chinese goods abroad. Others awarded in the last 12 months include contracts for Constructors John Brown to build a plastics plant (£26 million), for the Dowty Group to build a factory for the manufacture of hydraulic spares equipment (£8 million), and for Davy International Ltd to provide equipment for a synthetic gas plant (£5·5 million). In addition, A. & P. Appledore International are undertaking design engineering work for the modernisation of Guangzhoo (Kwangchou) shipyard, the third largest in China. Smaller orders have been placed for welding equipment, metal finishing equipment, grinding machines, presses for the aircraft industry, aircraft engine spares, body scanners and scientific instruments. (For earlier major contracts, see pp 430–1, 1978.)

Major contracts are currently being considered for projects in a number of sectors, including mineral development, power generation equipment, steel-making plant and transport. In the energy sector it is hoped that British companies will be able to help develop China's offshore oil resources and to provide specialised equipment, and British Petroleum is already conducting seismic surveys in the Yellow Sea. Similarly, a consultancy team from Britain's National Coal Board is currently in China discussing the equipment needs of two mines in Datung near Peking. In June, a British energy exhibition, opened by the Duke of Kent, was held in Peking with over 350 British companies taking part. In the transport sector, Transmark, British Rail's consultancy subsidiary, has made proposals for the modernisation of the Canton-Kowloon railway, and this and other railway developments are likely to be discussed when China's Minister of Railways visits Britain in November. China's Minister of Agriculture visited Britain in July to examine British farming methods, and in September two teams from the British Agricultural Export Council visited China and concluded two memoranda of understanding with Chinese authorities. In these, Britain has been invited to develop two agricultural areas in China – a model farm in the Ningxia Hui autonomous region, and grasslands in Inner Mongolia for the production of meat for export.

Shorter Notes

OVERSEAS AID

As a result of the Government's review of public expenditure (see p 333), Britain's provision of overseas aid in 1980-81 will, in real terms, be about the same as in 1979-80, the respective figures being £782 million and £790 million at 1979 prices. The equivalent figure for 1978-79 is, provisionally, £788 million.

Commenting on this in a statement issued on 1 November, the Minister for Overseas Development, Mr Neil Marten, regretted that Britain was not in an economic position to increase its aid programme, but he believed that the developing countries recognised that an ailing British economy was harmful to their best interests and wished to see the British Government solve its problems speedily and thereby provide a solid basis for growth. Nevertheless, he pointed out, the aid provision for 1980-81 remained substantial. Britain would continue to honour its existing obligations, but because of its increased multilateral commitments – particularly to the European Development Fund (see p 322) and the International Development Association – its bilateral commitments might not be as innovatory as it would have wished.

Other aspects of the Government's aid policy were referred to in a House of Commons debate on aid administration on 30 October (*Hansard*, cols 1110-84). In this, Mr Marten affirmed that the Government remained committed in principle to the United Nations target of contributing 0·7 per cent of gross national product annually to the developing countries, but, like the previous Government, would not set a date for achieving it. This would depend on the progress of the British economy.

With regard to the emphasis in the previous Government's policy of meeting the needs of the poorest countries (pp 446-8, 1975), Mr Marten said that this strategy 'is the same as that which has generally been adopted by the international donor community as part of the consensus on the shape and direction of Western aid'. He continued: 'In essence it is a recognition that concessional aid will increasingly go to the poorer countries which cannot service external finance on commercial terms. In the context of the developmental criteria of aid policy, it is a principle which the present Government accepts.'

Mr Marten also reaffirmed the Government's intention to maintain an effective aid programme.

Shorter Notes

SAINT VINCENT AND THE GRENADINES

On 27 October, as provided for in an Order in Council approved by the British Parliament in July (see pp 181-2), the Associated State of St Vincent became the independent constitutional monarchy of Saint Vincent and the Grenadines. On the same day it became the forty-second member of the Commonwealth, joining as a 'special member' enabling it to participate in functional meetings and activities of the Commonwealth but not in heads of Government meetings. The first Prime Minister of the new state is Mr R. Milton Cato, the leader of the St Vincent Labour Party.

The independence constitution provides for a constitutional monarchy with the Queen as head of State and represented in St Vincent by a Vincentian Governor-General. There is a unicameral Parliament, the House of Assembly, composed of 13 Representatives elected on the basis of universal adult suffrage in single-member constituencies, and six Senators, appointed by the Governor-General, four on the advice of the Prime Minister and two on the advice of the Leader of the Opposition. Each Parliament will have a life of five years unless dissolved before that time. The executive consists of the Prime Minister, the Governor-General appointing the Representative who appears to him likely to command the support of the majority of Representatives, and other ministers appointed on the advice of the Prime Minister. No more than two ministers can be Senators. There is provision for the preservation of fundamental human rights and freedoms and for the rule of law. Like the other former Associated States which have become independent, Saint Vincent and the Grenadines retains its connection with the West Indies Associated States Supreme Court, referring to it as the St Vincent and Eastern Caribbean Supreme Court. It consists of a Court of Appeal and a High Court. The Judicial Committee of the Privy Council remains the final court of appeal.

[For further information see COI Factel *Saint Vincent and the Grenadines*, No 27/Factel/79.]

Chancellor's Mansion House Speech

In his speech at the Lord Mayor's Banquet for Bankers and Merchants of the City of London on 18 October, the Chancellor of the Exchequer, Sir Geoffrey Howe, reaffirmed the Government's determination to carry out the measures necessary to curb inflation and inflationary expectations. Monetary policy would be at the heart of the fight against inflation but consistent fiscal policies and restriction of public spending would also be required. Sir Geoffrey expressed the Government's intentions for further reform of the tax system and the dismantling of exchange controls.

Economic Problems

The Chancellor began his speech by listing Britain's recent economic problems: inflation, a low rate of real growth, a deficit on the current account, low manufacturing output and troubled industrial relations.

Sir Geoffrey warned of the danger in assuming that the economy would behave with immutable predictability – that the reactions of customers and shopkeepers, employers and employees, could be precisely forecast on the basis of an imperfect knowledge of how they had behaved in the past. The lie to this had been given by Sir Geoffrey's predecessor as Chancellor, Mr Denis Healey, in his Budget speech of 1978, in which he referred to the imprecision of economics, based as it was on the unpredictability of human behaviour. A second fallacy was the belief that the economy could be 'managed' in a precise and orderly fashion. Sir Geoffrey recalled the years of demand-management and fine-tuning of the economy, when successive Chancellors had led both themselves and others to believe that they had a great deal more power than had ever been the case. 'The effect of all this', he continued, 'has been to make everybody believe that Government can do more than it can; to make trade unions, companies, individuals – everyone whose actions can directly affect the economy – feel less responsible than they really are and ought to be. We have bred the sentiment that it does not matter what damage individuals or groups may do, it is Government's business to put it right. Yet it is precisely this greater recognition of group and individual responsibility that is most needed in our society today.' This was not to deny that governments had substantial power and influence. However, it was necessary both to distinguish between those elements in the economy which were susceptible to control and those which were not and also to avoid becoming the prisoners of any particular perception. 'There are important lessons to be learned from the past, but we must not underestimate the capacity of people to change their behaviour, especially if the climate in which they live and work is also changing.'

Inflation

Sir Geoffrey pointed out that at the recent meeting of the International Monetary Fund in Belgrade (see pp 293-6) 'there was wide agreement on the pressing need for the industrialised countries to put their economic house in order. The view held by almost every major country was that inflation is the most serious problem facing them and that priority must be given to the fight against it. There was also agreement that this fight will be long and difficult.

'One reason for this is that inflation has become embedded in expectations. People expect prices to go up and do not believe inflation can be reduced.

'This new phase of resigned expectation represents a further worsening of the inflationary disease – the culmination of a long period during which the actions of policy-makers at all levels have tended to make matters worse. We have now reached the stage – and this too was a common thought at Belgrade – where inflationary expectations can be reduced only by a sustained change of direction. This belief has been fundamental to our policies during the last six months.'

The Chancellor assured his audience that the Government was resolved to carry through the sometimes painful measures necessary to curb inflation and inflationary expectations.

Monetary Policy

'We are in no doubt that monetary policy is – and must be – at the heart of the fight against inflation', said Sir Geoffrey. 'We are absolutely committed to the progressive reduction of the rate of growth of the money supply as a necessary condition of reducing inflation. We shall hold tenaciously to this commitment. For this is a responsibility which cannot be discharged by anyone else, which properly rests on Government

alone, and which we as a Government accept to the full.

'That carries with it the responsibility to pursue consistent fiscal policies and the responsibility to restrict public spending – with all that that involves – to what the nation can afford.

'But our economic health will be much more quickly restored if others will recognise and accept their responsibilities too. Pay settlements that are not matched by better performance can only prolong inflation, reduce investment and destroy jobs. Responsibility here is shared between employers and employees. It may not be their firms or their jobs immediately. They may think it will only affect others. But that is a dangerously short-sighted view; for in the end no one gains if we lose the battle against inflation.

'There is a responsibility too on the great financial institutions – many of which are represented here tonight. It is first to adapt their lending policies to the limits implied by the monetary targets and by our determination to hold to these. It is also to make clear to those to whom they do lend – personal and corporate customers alike – the implications of the monetary policies to which we are necessarily committed. The simple arithmetic is such that if this message is not very widely understood and accepted there will be a more severe financial squeeze and firms and individuals will not get the credit which they expect or on the terms they expected.'

Speaking of the increase in minimum lending rate announced at the time of the June Budget (see p 192), the Chancellor assured those present that he had no wish for a high level of interest rates to persist any longer than necessary, pointing out the burden this placed on the private sector, on which the economic recovery so heavily depended.

The Government 'are determined to make sure that fiscal policy also plays its part. For within a given monetary target, financial profligacy on the part of the Government can only mean financial stringency for the private sector. There is no escape from this.'

Restraint on Public Expenditure

'The need to reduce direct taxation in order to stimulate the supply side of our economy means that the necessary monetary restraint is only possible if expenditure is also restrained', the Chancellor went on.

He warned that, to the extent that some programmes which had been neglected in recent years had to be allowed to grow, the growth of others would have to be held back, or even reduced in real terms if the Government's objectives were to be met (see p 333).

'Many of these adjustments will be very difficult. And they will be presented as a "heartless" response to our difficulties. But as is so often the case with economic policy, the "soft" option is really no option at all.

'Monetary control, fiscal restraint and realism in public spending work together and support one another in the fight against inflation. They are only one half of the policy. We must not only control the money supply but encourage the production of goods and services.'

Tax Reform

Sir Geoffrey expressed the Government's appreciation of the very substantial export earnings of the service industries (see p 269) and of the continued efforts made by many members of his audience to sustain them.

Turning to the supply side of the economy, he said that although governments could not conjure up higher productivity nor, in a democracy, could they control behaviour, they could make sure that the right conditions and incentives were set. In ensuring that the major obstacles to success were removed the Government, said Sir Geoffrey, had attached the highest priority to personal taxation. It believed that the heavy burden of capital and income taxes was a principal cause of Britain's under-performance. The Government had cut the basic rate of income tax, it had brought tax rates on higher incomes into line with those in other countries and it had cut the tax on savings income. The Chancellor was mindful of the Government's commitment to reduce the level of capital taxes. He felt the tax system still did 'too little to encourage the growth of new small businesses and too much to obstruct the wider ownership of wealth and capital. We are pressing ahead with plans for reform on all these points.'

Easing of Controls

The Government had also taken seriously, Sir Geoffrey continued, the need to remove or reduce controls which had held back Britain's economic performance. Such controls included those on pay, prices, dividends and the building of offices and factories. On exchange control, said the Chancellor, the Government had listened with especial care to the advice of his audience. He had been able to announce two packages of relaxations in exchange control, one at the time of the June Budget (see p 192) and the other in July (see p 241). These had removed controls on the financing of outward direct investment and had made a major first step towards relaxing controls on outward portfolio investment. These relaxations gave companies and individuals greater freedom in deciding how to allocate their investment funds. Further steps would be taken as appropriate, said Sir Geoffrey. [On 23 October the Chancellor announced in the House of Commons the abolition of all exchange controls except in transactions with Rhodesia (see p 338).] He was confident that the City would 'make good use of this new encouragement for innovation and enterprise'.

Conclusion

The Chancellor said that the Government was determined not to be deflected from its policies but, he warned, 'The route back to economic recovery is certainly not a short one. Nor will it be free from hardship and difficulty. But we may take comfort and strength from the fact that no alternative route has been, or is being, seriously suggested.' Britain could not rely for economic success, Sir Geoffrey concluded, on a short-lived

government stimulus to demand or on an upsurge in the world economy; instead 'our economic success will depend on the painstaking efforts and the acceptance and exercise of responsibility by countless individuals'.

Public Expenditure Plans 1980-81

The Government aims to maintain total public expenditure in 1980-81 at about the same level as in 1979-80 in real terms. The White Paper on planned public expenditure for 1980-81, published on 1 November,[1] shows proposed increased expenditure for some programmes, notably defence, law and order, and social security, and reductions elsewhere. Spending on the National Health Service is to be maintained at the level proposed by the previous Government. Plans for years up to 1983-84 are to be published in a separate White Paper.

Introduction

The White Paper states that the Government has had three central objectives in deciding its plans for expenditure for 1980-81: first, a reduction in the rate of inflation, through firm control of the money supply and government borrowing; secondly, a restoration of incentives, through containing and, if possible, reducing taxes, especially on incomes; and, thirdly, a planned level of spending both compatible with the objectives for taxation and borrowing and also based on a realistic assessment of the prospects for economic growth. 'The Government's economic strategy must be to stabilise public spending for the time being. Unless this is done there can be no possibility of lower taxes, lower borrowing or lower interest rates.'

The White Paper claims that to limit severely the resources devoted to the public services for the time being is not to deny that many of them need to be improved. It is, instead, a recognition of the fact that improvement can be secured only by earning the money and resources by increased output. Higher output, in turn, can be brought about only by a reduction in taxes, interest rates and government borrowing and by better use of investment. To plan more public expenditure before the required output is available to support it would only ensure that the growth in output did not take place. 'Higher public expenditure cannot any longer be allowed to precede, and thus prevent, growth in the private sector.'

Planned Expenditure for 1980-81

All figures for expenditure in the following paragraphs are at 1979 survey prices. Figures for planned expenditure for 1980-81 are given in Table 1. The planned growth in expenditure on defence, law and order, and social security, partly due to the substantial increase in pensions (see pp 206-8) is offset by reductions in other services (see Table 3), leaving the total for the year virtually unchanged from the expected outturn for 1979-80.

Figures for the expected outturn for 1979-80 reflect the reductions in public expenditure announced in the June Budget (see pp 192-3). The outturn is still uncertain, particularly regarding expenditure by local authorities, which the Government does not directly control.

Local Authorities

Table 2 analyses the current and capital expenditure of local authorities. The distribution between programmes is tentative as individual authorities decide the eventual distribution according to local needs and conditions.

The outturn of current expenditure for 1979-80 cannot yet be estimated. Figures given reflect the levels of expenditure planned at the time of the Rate Support Grant settlement in November 1978. However, local authorities have been asked to achieve economies, which would result in a lower outturn. (In England and Wales the Secretaries of State asked authorities to reduce their expenditure to 3 per cent below the previously planned level.)

Planned capital expenditure for 1980-81 is 9 per cent less than the expected outturn for 1979-80.

Special Sales of Assets

As announced in the June Budget (see p 191), the Government intends to raise some £1,000 million in the current year from the sale of assets owned by the public sector (see p 337). This will contribute to a reduction in the public sector borrowing requirement. The target for the corresponding reduction in the public sector borrowing requirement in 1980-81 is £500 million.

Civil Service Staff Costs

The Civil Service staff costs included in the programme for 1980-81 take into account the revised manpower levels resulting from the adjustment to cash limits for 1979-80 and 1980-81. They do not, however, allow for additional savings resulting from the review of the size and cost of the Civil Service announced by the Minister of State, Civil Service Department, on 11 June, which will be announced in due course.

Individual Programmes

Details for individual programmes are given in Table 3.

Defence

Planned expenditure on defence of £8,062 million for 1980-81 represents an increase of 3 per cent over the expected outturn for 1979-80, which itself is in line with the cash limit. Expenditure for 1980-81 reflects the Government's determination both to give priority to strengthening the nation's defences, within the framework of the North Atlantic Treaty Organisation, and to achieve maximum value for money within the resources available.

[1] *The Government's Expenditure Plans 1980-81.* Cmnd 7746. HMSO, 70p. ISBN 0 10 177460 5.

Table 1

Public Expenditure 1979-80 and 1980-81

£ million at 1979 survey prices

		1979-80 Expected outturn	1980-81 Plans
1	Central government	51,985	51,857
2	Local authorities	18,693	17,850
3	Certain public corporations	1,098	1,022
4	Expenditure on programmes	71,776	70,729
5	Contingency reserve	271*	750
6	Debt interest	3,100	3,200
7	Total public expenditure before shortfall and special sale of assets	75,147	74,679
8	Expenditure on programmes and contingency reserve (line 4 + line 5)	72,047	71,479
9	Net overseas and market borrowing of nationalised industries	−500	−150
10	Special sales of assets†	−1,000	−500
11	Planning total‡	70,547	70,829
12	General allowance for shortfall	−750	−1,000
13	Outturn (expected or planned)	69,797	69,829
	Percentage change on previous year	0·0	0·0

*Balance remaining at 31 October 1979 in the contingency reserve for the current year.

†The precise treatment of the sales in relation to public expenditure and the public sector borrowing requirement depends on the exact nature of the transactions.

‡The planning total (line 11) differs from total public expenditure (line 7) by excluding debt interest (line 6) but including all net borrowing by the nationalised industries (that is including line 9 as well as government lending to nationalised industries in line 1) and special sales of assets (line 10).

Table 2

Public Expenditure by Local Authorities in Great Britain 1979-80 and 1980-81*

£ million at 1979 survey prices

	1979-80 Expected outturn	1980-81 Plans
Current		
Education, libraries and arts	7,754	7,396
Local environmental services	1,697	1,627
Law, order and protective services	1,817	1,858
Personal social services	1,292	1,204
Transport	1,149	1,110
Housing	617	647
Other programmes	239	238
Total (current)	14,565	14,080
Capital		
Education, libraries and arts	384	350
Local environmental services	621	616
Law, order and protective services	58	66
Personal social services	75	72
Transport	613	549
Housing	1,865	1,623
Other programmes	7	9
Total (capital)	3,623	3,285
Total (current + capital)	**18,188**	**17,365**

*Totals differ from those in line 2 of Table 1, which cover Great Britain and Northern Ireland and include value added tax paid by local authorities.

Table 3
Public Expenditure by Programme 1979-80 and 1980-81

£ million at 1979 survey prices

	1979-80 Expected outturn	1980-81 Plans
Defence	7,824	8,062
Overseas aid and other overseas services		
Overseas aid	790	782
Contributions to European Communities	919	1,000
Other overseas services	426	409
Agriculture, fisheries, food and forestry	986	993
Industry, energy, trade and employment	2,753*	2,870
Government lending to nationalised industries	1,700	900
Roads and transport	3,118	2,914
Housing	5,380	5,078
Other environmental services	3,303	3,213
Law, order and protective services	2,454	2,542
Education and science, arts and libraries	9,657	9,246
Health and personal social services	9,109	9,194
Social security	19,058	19,289
Other public services	1,010	997
Common services	1,073	1,088
Northern Ireland	2,215	2,150
Total programmes (see Table 1, line 4)	71,776	70,729

*Excludes sales of British Petroleum shares (see Table 1, line 10).

Overseas Aid and Other Overseas Services

Overseas aid will be at almost the same level in 1980-81 as in the current year (see p 330).

The provision for net contributions to the European Communities (including the European Investment Bank) rises from about £920 million for 1979-80 to about £1,000 million for 1980-81, representing the full estimated net cost to Britain under present arrangements. In the White Paper's words, 'It demonstrates the strength of the Government's case in pressing our Community partners to accept without delay a fundamental change in these arrangements' (see p 183).

The provision for other overseas services is planned to continue at much the same level in 1980-81 as in 1979-80 (except in so far as expenditure for 1979-80 includes contingent provision for United Nations peace-keeping operations and once-for-all grants of military aid to two Commonwealth countries). In order to keep within the planned expenditure, 23 overseas posts will be closed or reduced in size and other services of the Foreign and Commonwealth Office curtailed.

Agriculture, Fisheries, Food and Forestry

The provision made for expenditure on market support policies financed by the European Community allows for an increase in expenditure of £84 million between 1979-80 and 1980-81. In the rest of the programme there is a net reduction of £77 million as a result of sales of land and changes in various services and their uptake, partly offset by provision for some increased expenditure on fisheries. (However, figures for the expected outturn for 1979-80 include payments due in 1978-79 but delayed by industrial action until 1979-80; if allowance is made for these the net reduction of £77 million becomes £40 million. Similar delays affected some other programmes but to a lesser extent.)

Industry, Energy, Trade and Employment

Expenditure by the Department of Industry in 1980-81 on industrial support will be slightly below the level now planned for 1979-80. The changes announced by the Government on regional and selective assistance (see pp 265-9) and on the National Enterprise Board (see pp 243-4) affect expenditure in both years but the full savings will be achieved after 1980-81.

Selective assistance by the Department of Energy to certain industries under section 8 of the Industry Act 1972 and assistance to the nationalised industries, mainly coal, will continue to be provided. This programme also provides for research and development in the nuclear field by the United Kingdom Atomic Energy Authority and for expenditure on energy conservation and research and development by the Department of Energy.

Expenditure by the Export Credits Guarantee Department is expected to increase by £156 million between 1979-80 and 1980-81, reflecting the once-for-all saving achieved in 1979-80 when the Trustee Savings Banks took over some £200 million of outstanding refinance.

The abolition of the Price Commission is expected to save £3 million in the part year 1979-80 and £7 million in the full year 1980-81.

The provision for 1980-81 for measures operated by the Manpower Services Commission is held broadly at the reduced level for 1979-80. No

provision is made for the extension of the Small Firms Employment Subsidy, the Job Release Scheme or the Temporary Short-time Working Scheme, which are due to close for applications in March 1980. The statutory short-time working scheme proposed by the previous Government (see p 74) has been dropped.

Nationalised Industries

The public expenditure planning total includes borrowing of the nationalised industries from all sources ('Net overseas and market borrowing of nationalised industries' in Table 1 and 'Government lending to nationalised industries' in Table 3). Planned expenditure for 1980-81 represents a reduction of £450 million on the expected outturn for 1979-80 (but a substantial part of the reduction results from the delay from 1979-80 in the payment of telephone bills because of the recent strike by computer operators in the Post Office). No allowance is made in these figures for the Government's plans for special sales of assets (see p 337), the figures for which are included separately in Table 1.

Roads and Transport

Expenditure on roads and transport in 1980-81 will be some £200 million lower than in 1979-80, with the reductions spread widely across the programme. Expenditure on local transport accounts for just over half the programme and the Government intends that about half the total reduction should come from this source. Central government expenditure on motorways and trunk roads will be reduced from the level previously planned but there will be a switch within this programme to permit increased expenditure on motorway maintenance. Roughly half of the overall change will result from a reduction in central government subsidies to transport industries, the bulk of which will reflect changes in arrangements for the funding of the pension schemes of British Rail and the National Freight Corporation. There will also be small reductions in new bus grants, investment in ports and transport research.

Housing

Planned expenditure on housing for 1980-81 is £5,078 million, a fall of some £300 million from the expected outturn for 1979-80.

Current expenditure, chiefly subsidies to public sector housing, is expected to fall slightly in 1980-81. The Government intends over a period of years to reduce further the level of housing subsidies, which at present amount to £1,500 million, nearly one-third of all public expenditure on housing. This will be assisted by a new subsidy system for England and Wales starting in 1981-82 which will relate subsidies more directly to need.

Capital expenditure will fall by about £280 million between 1979-80 and 1980-81.

Other Environmental Services

Planned expenditure for 1980-81 for a miscellaneous group of services mainly provided by local authorities takes account of savings arising from the Government's decision to abolish the Community Land Scheme (see p 167). Legislation will be introduced to enable local authorities to reduce their net expenditure on local environmental services by charging for planning applications and for the enforcement of building regulations. Capital investment on water and sewerage services is planned to continue at broadly the same level as in 1979-80. Expenditure on the Urban Programme (see p 103, 1978) in 1980-81 will be higher than is now expected in 1979-80 while capital expenditure on local government services will be lower in 1980-81. Expenditure on the Thames Barrier will increase by £28 million between 1979-80 and 1980-81, with a view to completing the project in 1982.

Law, Order and Protective Services

Planned expenditure on this programme will increase, reflecting the Government's decision to give priority to law and order. Expenditure in 1980-81, at £2,542 million, will be £88 million higher than the expected outturn for 1979-80. However, this does not include any net expenditure which may arise out of the recommendations of the inquiry into prison services (see p 350) or from the Royal Commission on Legal Services (see pp 307-9). Included in the total is provision for additional expenditure by central government on court services and other legal services, including legal aid, and on prisons. In England and Wales expenditure on the police will be increased to allow a rise in strength to 115,500 officers by March 1981, with increases in supporting staff and services, both local and central. If this estimate for numbers of police officers is exceeded further provision will be made from the contingency reserve. The planned expenditure will also enable local authorities to increase their provision for the probation and after-care service and magistrates' courts. In the fire service it will allow existing standards of fire cover to be maintained. In Scotland additions for these services will be made commensurate with the totals in England and Wales.

Education and Science, Arts and Libraries

The Government is committed to promoting higher standards of achievement in education. The number of pupils in schools will fall but account has been taken, in the planning of both teaching and non-teaching expenditure, of the inescapable diseconomies of the smaller scale. The programme provides for the employment of some 505,000 teachers in 1980-81, compared with about 526,000 in 1978-79. This is sufficient for the present level of induction and in-service training to be maintained. It will be necessary to increase the rate at which surplus school places are taken out of use but it should be possible to maintain expenditure on the under-fives at about the present level.

The Government expects savings of some £240 million to be made on school meals, milk and transport. Parliament will be asked to give local authorities greater discretion in the nature of, and charges for, these services.

A modest expansion of non-advanced further education, especially vocational courses, should

be possible to cater for the rising numbers aged 16 to 18. The resources available in 1980-81 for home students in higher education will be about the same as in 1979-80. New overseas students or their sponsors will be expected in future to meet the full cost of their tuition.

There will be no reduction in provision for capital expenditure on school basic need but building programmes for school improvements, the under-fives and further and higher education will be reduced by about half.

Planned expenditure for science in 1980-81 will be just over £300 million, slightly less than in 1979-80.

Direct expenditure by central government in support of museums, libraries and the live arts in 1980-81 should allow a continuation of activities at a level broadly comparable with that in 1979-80. Planned expenditure includes the contribution of the Office of Arts and Libraries to the sum of £15·5 million to be provided for the new National Heritage Fund (see p 78) and for acceptances of works of art in lieu of tax. Expenditure by local authorities on libraries, museums and art galleries will fall in line with their planned reductions in total expenditure.

Health and Personal Social Services

The Government plans to maintain spending on the National Health Service in 1980-81 at the level proposed by the last administration (see pp 32-7). However, the net cost to the taxpayer will be reduced by increased recovery under the Road Traffic Act 1972 of the cost of treating the victims of road accidents, by increasing prescription charges from 45p to 70p from April 1980, by increasing dental charges so as to maintain their 1979-80 level in real terms and by limited changes in the welfare milk scheme. Measures being taken to eliminate waste and to simplify administration in the National Health Service will enable the available resources to be channelled more into care for patients.

Spending by local authorities on personal social services is likely to be reduced. The Government expects that, as far as possible, savings will be met by further increases in efficiency, by reducing or eliminating programmes of low priority, by designing policies to help people to help themselves and others, and by promoting collaboration with the voluntary sector. Where reductions in standards of provision prove necessary, authorities will be relied upon to implement these in ways which protect the most vulnerable. Authorities have also been asked to give priority, as far as possible, to those services for children which are concerned with the prevention and treatment of delinquency. Joint finance will continue at the level planned.

Social Security

Expenditure on social security reflects the numbers who qualify for and claim benefits, which are in turn influenced by economic and demographic variations. The figures reflect the Government's intention to intensify efforts against fraud and abuse of the system.

Other Public Services

The principal item of expenditure on other public services is the staff costs of revenue collection by the Inland Revenue and Customs and Excise. In 1979-80 the programme included £26 million for the cost of the parliamentary and European elections. For 1980-81 small increases are planned for financial administration and population surveys (preparation for the 1981 census).

Common Services

The provision for Civil Service superannuation, which is £28 million higher for 1980-81 than for 1979-80, assumes some increase in the number of pensions and their average level. Expenditure by the Property Services Agency on the government office estate in Britain will be reduced by cuts in expenditure on major new works (mainly new offices, following the decision to reduce the dispersal of government work from south-east England) and also by reductions in minor works, furniture, rent, maintenance and running costs.

Northern Ireland

Total planned expenditure for Northern Ireland for 1980-81 reflects, among other changes, the consequences of decisions taken on public expenditure in 1979-80, including the application to Northern Ireland of measures such as the increase in health charges. Expenditure on law and order there will rise to ensure that the necessary resources are available to combat terrorism.

Sale of Public Sector Assets

The Government is to dispose of public sector assets worth some £1,000 million in 1979-80 as part of its policy of reducing the public sector borrowing requirement and of promoting the widest possible participation by the people in the ownership of British industry.

The Government's intentions concerning the sale of public sector assets were announced in the June Budget (see p 193). In October it announced the broad composition of these disposals. Between £400 million and £500 million will be raised from advance oil payments, via the British National Oil Corporation (BNOC), for oil to be delivered in 1980-81. These arrangements are currently being negotiated by BNOC (see p 301). A further £100 million to £150 million will come from the sale of new town assets and other public sector land. A similar sum will be raised by the sale of other assets, including assets held by the National Enterprise Board. Between £200 million and £300 million will be raised by the sale of just over 5 per cent of British Petroleum (BP) shares. The shares will come from the Government's own shareholding and will reduce the total of the Government's and the Bank of England's holdings, taken together, to some 46 per cent.

The Financial Secretary to the Treasury, Mr Nigel Lawson, announced on 31 October that

preference was being given to BP employees and to the small investor in the allocation of the shares. (*Hansard*, 31.10.79, written answers, cols 522-4.) Mr Lawson also announced the Government's intention not to sell any more of its present holding in the company.

A Bill was laid before Parliament on 8 November which provides for the eventual transformation of British Aerospace from a state-owned corporation into a limited liability company in which the Government will hold about half the shares. A similar Bill to change the status of British Airways, making a substantial minority of the shares available to the public, was also presented.

The Government's expenditure plans for 1980-81 (see p 333) provide for the sale of a further £500 million worth of assets in that year.

Removal of Exchange Controls

The Chancellor of the Exchequer, Sir Geoffrey Howe, announced in the House of Commons on 23 October the removal of all remaining exchange controls except those needed in relation to Rhodesia. This followed the relaxations announced in the June Budget and in July.

CHANCELLOR'S STATEMENT

Sir Geoffrey began his statement (*Hansard*, 23.10.79, cols 202-3) by referring to the relaxations in exchange controls made in the Budget on 12 June (see p 192) and those announced on 18 July (see p 241). Between them the two sets of relaxations had removed controls on overseas direct investment and had liberalised the conditions for overseas portfolio investment.

He then announced that, with the exception of transactions with Rhodesia, there would be, from 24 October, 'full freedom to buy, retain and use foreign currency for travel, gifts and loans to non-residents, buying property overseas and investment in all foreign currency securities. Portfolio investment will be wholly freed, and the requirement to deposit foreign currency securities with an authorised depositary is abolished. Foreign currency accounts can be held here or abroad. Passport marking for travel funds can now be abolished.'

Sir Geoffrey pointed out that the removal of controls would lead to annual savings in public expenditure of some £14·5 million, which represented the current cost of about 750 members of staff employed on exchange control at the Bank of England and about 25 at the Treasury.

The Chancellor went on to say that he proposed to introduce in the 1980 Finance Bill retrospective provisions, which would also take effect from the following day, to continue to prevent British tax incentives from being used to support the leasing abroad of foreign equipment. (This had hitherto been achieved by exchange control.)

The removal of controls, Sir Geoffrey explained, meant that Britain would be meeting in full its obligations to the European Community on the freedom of capital movements.

The Chancellor concluded his statement: 'Exchange controls have been with us in one form or another for just over 40 years. They have now outlived their usefulness. The essential condition for maintaining confidence in our currency is a Government determined to maintain the right monetary and fiscal policies. This we shall do.'

OTHER CHANGES

Among other changes resulting from the removal of controls (not mentioned in the Chancellor's statement), applications need no longer be made to the Bank of England for travel funds as, in the absence of controls, this check on the genuineness of travel needs becomes unnecessary; for overseas portfolio investment the investment currency market (in which the purchase of foreign exchange is normally subject to a premium, recoverable upon sale) will cease to exist; and gold bullion may be bought and sold, as has been the case with gold coins since the June Budget (see p 192).

PARLIAMENTARY DEBATE

Opposition View

Mr Denis Healey, speaking for the Opposition immediately after the Chancellor's statement (*Hansard*, cols 203-4), agreed that, in the light of Britain's improved economic performance since 1976, there had for some time been a case for a relaxation in exchange controls. However, he regretted the fact that the Chancellor was not only suspending all the rules governing exchange control but was also abolishing the whole apparatus of control. This would mean, Mr Healey felt, that it would be impossible to restore controls if the future course of the balance of payments or the reserves or the value of the pound made this necessary.

Mr Healey also feared that British financial institutions might invest abroad rather than in British industry or in government securities. A reluctance to invest in government securities would make more difficult the control of the money supply and the financing of the public sector borrowing requirement.

Government Reply

In his reply to Mr Healey the Chancellor (*Hansard*, cols 204-5) pointed out that the announced changes were not the result of a hasty decision but marked the third stage in the progressive dismantling of exchange controls. Also, they had been undertaken 'not with a view to influencing the exchange rate but with a view to removing some of the restrictions that unjustifiably remain on investment decisions by our people'.

On the risk that resources available for investment in Britain would be diminished, Sir Geoffrey reminded Mr Healey that the overwhelming body of evidence to the Committee to Review the Functioning of Financial Institutions (the Wilson

Committee) (see p 446, 1976) was that there was no lack of resources available for capital investment. 'The idea of promoting additional investment overseas is that it will promote the expansion of the British markets. It is far better, in a period when oil adds strength to our resources and our currency to acquire income-producing assets overseas than to shelter behind an apparatus of control', said Sir Geoffrey.

Industry Bill

Parliament has given a second reading to an Industry Bill which includes provisions to restrict the powers of the National Enterprise Board as foreshadowed in a statement to the House of Commons by the Secretary of State for Industry on 19 July (see pp 243-4).

Provisions of the Bill

The main purposes of the Bill are to modify the functions and powers of the National Enterprise Board (NEB) and the Scottish and Welsh Development Agencies; to facilitate the disposal of property by the English Industrial Estates Corporation and enable the Corporation to make use of private finance in the Government's factory programme; to give statutory recognition to reductions in the regional development grants scheme (see pp 265-6); to permit the provision of government guarantees in foreign currencies under section 8 of the Industry Act 1972; and to repeal the planning agreement and compulsory information powers conveyed by the Industry Act 1975 (see p 105, 1975).

Among the detailed provisions of the Bill are amendments to the legislation concerning the NEB (see pp 104-5, 1975, and p 38) and the two Agencies (see pp 106-7, 1975). The Bill provides that they will have a new function to dispose of assets held by them in order to promote private ownership and that they will no longer be charged with promoting industrial reorganisation and industrial democracy. It removes the powers of the Secretary of State to increase the limits on borrowing of the NEB and the Agencies (this means that the limits will remain at their present levels of £3,000 million for the NEB, £500 million for the Scottish Development Agency and £250 million for the Welsh Development Agency); and it limits total expenditure on the acquisition of share capital in any company without the Government's consent to £5 million for the NEB and £1 million for each of the Agencies.

House of Commons Debate

The Bill was published on 23 October and was given its second reading on 6 November by 307 votes to 250, a Government majority of 57 (*Hansard*, cols 240-364).

Government View

Opening the debate for the Government, Sir Keith Joseph, Secretary of State for Industry, said that the Bill gave effect to the Government's manifesto undertakings, and in particular contributed to its policy of reducing public expenditure and the size of the public sector. He reminded the House of his party's opposition to the basis on which the NEB had been established in 1975 and its continuing opposition to the way in which the NEB had been encouraged to operate. 'In our view', he continued, 'it is not sensible to maltreat savings and capital, blame them, as a result, for failing to do all that they could be expected to do and then set up a public agency to fill a gap. There should be no need for public sector investment finance in manufacturing industry provided that savings and enterprise are sensibly treated. . . . The NEB was set up to operate, and has tried to operate as far as possible, as if it were a commercial holding company. However, its immunity from insolvency insulates it from commercial disciplines. Moreover, the emphasis laid upon the NEB inevitably distracts attention from the need to create encouraging conditions for savings and investment. . . .'

Sir Keith paid tribute to the public spirit and good intentions of the chairman and the board and the efforts of the staff of the NEB. He said that at least for a time the NEB could perform a useful function by looking after certain major shareholdings in a very few companies of national importance which had to be given the chance of becoming viable and attractive again to investors, pension funds and individuals. While this remained so the Government was prepared to allow the NEB a limited involvement, only in so far as the private sector could not immediately meet the need, in two other roles. One would be to assist in the development of certain companies in some areas of advanced technology where the hostile climate towards risk discouraged private investment. In a few cases the NEB could act as a catalyst in some aspects of new technologies. The other limited role proposed would be to provide investment in firms, particularly small firms, in certain areas of high unemployment, principally the English assisted areas where there was a need to strengthen a weak industrial structure. A similar task in relation to Scotland and Wales would fall to the Scottish and Welsh Development Agencies. 'We intend', Sir Keith stated, 'that the NEB's involvement in companies, under each of the roles that I have mentioned, should always be temporary. In each case the objective must be to do no more than is necessary for no longer than is necessary to bring the company to a condition in which the free capital markets can take over again. We expect the need for NEB involvement in its advanced technology and regional roles to decline in future, although I would not want to set a fixed term for it. We shall naturally keep the position under review.'

The Government had decided, said Sir Keith, 'to incorporate some of the changes . . . in the revised NEB guidelines rather than in the Industry Bill. This will provide a measure of flexibility in accommodating economic developments and adapting the scope of the NEB to the merits of particular cases.' A draft of the guidelines would be laid before the House in the near future, and the Government intended to issue a direction

putting the final version into effect as soon as the Bill became law.

Opposition View

The Opposition's chief spokesman on industry, Mr John Silkin, contested the Government's contention that the taxpayer would benefit from the sales of the NEB's assets. The taxpayer's money had saved the industries concerned but they would be sold to anyone who cared to make a bid.

The country needed the NEB because private capital was not always forthcoming for important projects. There had been about 18 examples of high technology where the NEB was doing a joint deal and where such explorations would not have been undertaken unless it had come in.

Government's Reply

Mr Adam Butler, Minister of State at the Department of Industry, said in winding up the debate that the Bill represented a major step forward in implementing the Government's industrial policy, which was designed to produce a stronger and wider industrial base against the day when North Sea oil ran out. 'Our approach is through incentive . . . [and] the encouragement of responsibility on the part of both management and workers.' Most people shared the Government's view that management was best left to the managers and that industry was better off in the hands of industrialists and not in the hands of government. 'The Bill will lessen the role of the State and its agencies and cut back the public sector' he concluded. 'It will reduce the demands of government on the taxpayer. It will ensure the more efficient use of resources in the areas of greatest need. Above all, it will promote free enterprise and make for a healthier economy.'

Competition Bill: Second Reading

The House of Commons debate on the second reading of the Competition Bill, adjourned from 23 July, took place on 23 October. The Bill seeks to strengthen the powers of the Director General of Fair Trading and the Monopolies and Mergers Commission to investigate practices which restrict or limit competition in both the public and private sectors; gives new powers to the Secretary of State for Trade to refer nationalised industries and other public undertakings to the Commission for investigation into efficiency, costs, and possible misuse of monopoly power; and abolishes the Price Commission.

Contents of the Bill

The main elements of the Competition Bill are described on pp 162-3. In greater detail, the Bill may be regarded as falling into five parts, covering: the abolition of the Price Commission; anti-competitive practices; the investigation of public bodies; the investigation of prices; and supplementary clauses.

Clause 1 deals with the abolition of the Price Commission (see pp 170-1, 1973 and pp 120-2, 1977). Clause 17 and Schedule 2 provide for the repeal of legislation associated with the Price Commission. The Counter-inflation Act 1973 (see pp 170-3, 1973), is repealed in full while the Price Commission Act 1977 (see p 296, 1977) is repealed for all but two sections.

Clauses 2 to 10 deal with anti-competitive practices. Clause 2 defines them as comprising a course of conduct which has, is likely to have or is intended to have the effect of restricting, preventing or disturbing competition. The clause also provides for certain exemptions. Clause 3 provides for the Director General of Fair Trading to carry out preliminary investigations of suspected anti-competitive practices. This clause and Clause 5 deal with the Director General's power to refer identified anti-competitive practices to the Monopolies and Mergers Commission (MMC). Clause 4 enables firms to give undertakings to the Director General instead of being referred to the MMC. Clauses 6 and 7 deal with the scope of references to the Commission and its investigation and report. If the MMC confirms the finding of an anti-competitive practice it must go on to consider whether or not the practice operates against the public interest. Clauses 8, 9 and 10 deal with the publication of reports and undertakings or orders following reports. The Secretary of State for Trade may order the prohibition of a practice by a firm which has been found to be against the public interest or may take steps to remedy its adverse effects.

Clauses 11 and 12 cover the investigation of public bodies. Clause 11 empowers the Secretary of State for Trade to make a reference to the MMC asking about the efficiency, costs, service provided to consumers, or possible abuse of a monopoly situation, of a named body. Five types of body can be referred: trading enterprises where members are appointed by a minister (this is intended to cover the nationalised industry corporations); providers of bus services; water authorities and companies; agricultural marketing boards; and subsidiaries of any of the above. Reports must be completed within six months although this can be extended up to nine months if necessary. The Secretary of State must publish the report. Clause 12 gives the Secretary of State power, in cases where the MMC has been asked to consider the public interest and has made an adverse finding, to make an order. This power does not, however, extend to the regulation of prices.

Clause 13 deals with the investigation of prices. It enables the Secretary of State to require the Director General to investigate and report on any question relating to prices or charges, provided they are of major public concern. The Director General must report to the Secretary of State within the period specified in the reference. Although no sanctions stem directly from such a report the Director General may initiate other action, such as an investigation of an anti-competitive practice or a monopoly reference.

Clauses 14 to 17 are supplementary clauses and cover the dissemination of information, re-

strictions on disclosure, the repeal of existing legislation, commencement arrangements and financial provisions.

Parliamentary Debate

Opening the adjourned debate (*Hansard*, 23.10.79, cols 220-76), Mr John Nott, Secretary of State for Trade, explained that the Bill avoided setting out a long list of anti-competitive practices; that would have involved the courts and added to the burdens on industry and commerce. He believed that the new procedures would considerably strengthen competition policy without imposing on industry the uncertainties and burdens of temporary price restrictions and pre-notification of price increases.

Concerning Clause 2 (see above), Mr Nott announced his intention to exclude from coverage firms with an annual turnover of less than £5 million unless their share of a particular market exceeded 25 per cent.

On anti-competitive practices, the Secretary of State believed that one possible example was conduct that imposed a barrier to new entrants into a market. Powerful firms might use certain practices to eliminate competition from small ones, said Mr Nott, and added: 'Powerful firms may insist, for instance, that wholesalers or retailers stock the full range of their products so that the wholesaler is unable to stock a rival product. A manufacturer may insist that a stockist does not sell the products of a competing manufacturer. A manufacturer may not allow a retailer to advertise his product except at a minimum price specified by him.'

Mr Nott explained that the Bill treated the public and private sectors in the same way. Speaking on its implications for the public sector, he explained his belief that, 'as public sector bodies are not subject to the normal sanctions of bankruptcy, acquisition by other firms and the wider sanctions of competition in the market place, they need to be subject to an investigation of the service which they provide to consumers, the occasional investigation into their efficiency and costs and possibly sometimes the occasional abuse of their monopoly position'. This justified the institution of an 'efficiency audit' for the public sector alone. He went on, 'Because of the fundamentally different nature of these activities we believe that the additional procedure is required which is not relevant in that sense to the private sector where monopolies do not exist, or if they do, we have procedures for undoing them.'

Explaining the Government's thinking on the Bill, Mr Nott said that at the heart of it lay the fact that 'the consumer cannot be free to choose unless producers are obliged to compete and because economic freedom rests on competition, the task of grappling with monopoly – the denial of choice – is an important part of economic policy. Indeed, it must penetrate every part of it.

'The Government intend to stimulate the improvement and performance of our economy by encouraging enterprise, by persuading entrepreneurs to look for new opportunities and by persuading businessmen to go for new products and to enter new markets. This Bill, which will ensure the denial of monopoly and therefore greater freedom of choice, is central to our objectives. . . .'

Among Opposition speakers, Mr Dennis Canavan said that the Price Commission was 'the only body with the statutory power to intervene in escalating prices'. He accused the Government of 'dismantling the only piece of apparatus there is to ensure statutory control of prices' and wondered how the Government could reduce the annual rate of inflation to single figures by abandoning any form of price control.

Mrs Sally Oppenheim, Minister of State for Consumer Affairs, felt that competition had a 'far more important part to play in reducing prices and raising standards than any short-term price controls [could] ever do'. The strengthening of the Office of Fair Trading and the MMC and the granting of new powers to complement their existing ones marked a natural evolution in competition policy.

The motion that the Bill be read a second time was carried by 302 votes to 235, a Government majority of 67.

Company Law

A Companies Bill introduced by the Government as a response to its obligations to implement a European Economic Community directive received an unopposed second reading in the House of Commons on 22 October. It provides for new arrangements concerning the classification and registration of companies and their capital structure and distribution of profits and assets. A Bill introduced for the same purpose by the previous Government (see p 436, 1978) was not enacted for lack of time. Reforms of existing company law are being introduced as Government amendments at the committee stage of the Bill and include proposals that insider dealing in securities should become a criminal offence, that existing provisions controlling loans by a public company to its directors should become more stringent and that directors must consider the interests of their employees, as well as those of their shareholders.

Provisions of the Bill

The provisions of the Bill relating to the second European Economic Community (EEC) directive (see p 324, 1977) are substantially the same as those contained in the previous Bill.

Part I provides for new definitions of private and public companies, for machinery for registration and re-registration of companies, and for certain transitional provisions. A public company would be one which had registered or re-registered under the Bill; private companies would be those which were not public companies. The essential features of a public company would in

future be that the minimum number of people forming it would be two instead of seven, that its name would have to end with the designation 'public limited company' or 'PLC' (or the Welsh equivalents), that its memorandum of association should take the form laid out in the Bill, and that its authorised capital should be not less than £50,000. For private companies the current requirements that they must restrict the right to transfer their shares and limit the number of members to 50 would be repealed. It would continue to be the case, however, that private companies could not offer their shares or debentures to the public.

Part II of the Bill is concerned mainly with implementing the requirements of the second directive relating to the share capital of public companies. Directors would not be allowed to issue shares or other securities without proper authority from the company; a company issuing equity shares for cash would first have to offer them to existing equity shareholders; and there would be strict rules on payment for shares. Certain of these provisions would apply to private companies as well.

Part III of the Bill lays down new rules concerning the distribution of profits to the shareholders of both public and private companies. The provisions embody the requirements not only of the second EEC directive, but also of the fourth EEC directive on company accounts. Unrealised profits would not be distributable; past realised losses would have to be made good before distributions could be made; and public companies would be able to pay dividends only if they retained sufficient realised profits to cover unrealised losses.

Part IV of the Bill contains some miscellaneous amendments to the law. It would reverse a court judgment which has prevented former employees of a company, including pensioners, from receiving payments when the business closed down; the position of minority shareholders would be improved; and the penalties and modes of trial for offences under the companies legislation would be revised.

In its present form the Bill would not affect the law in Northern Ireland, but the Government intends to make arrangements so that its provisions would in due course apply there in the same way as they would in Great Britain.

House of Commons Debate

The Bill was published on 16 July and received its second reading on 22 October (*Hansard*, cols 52-160).

Government View

Opening the debate, the Minister of State for Trade, Mr Cecil Parkinson, put the Bill into the context of the Government's programme of company law reform. The first priority was to meet the obligation to implement the second directive and the Government did not want to hold up the Bill while it considered whether or not to include other measures of company law reform. The Government had intended, he said, to introduce a second Bill in the current session which would have implemented the EEC fourth directive on company accounting and disclosure (see pp 304-5). It would also have included provisions relating to the duties of directors and insider dealing, but these provisions would be included as amendments to the present Bill. The second Bill would now be introduced in the 1980-81 session.

Mr Parkinson acknowledged that in its present form the Bill was essentially the first three parts of the Bill introduced by the last Government. In describing the main points of the Bill he detailed a number of clauses which dealt specifically with the second directive or which had been amended in the House of Lords.

Having concluded his comments on the Bill in its present form, Mr Parkinson said: 'Those who have read the reports of the committee stage of the 1978 Bill will realise that although there was widespread support for the objectives of much of parts IV and V of that Bill [dealing with the duties of directors and insider dealing] there were grave reservations about the detailed proposals.' However, as a result of that committee stage, the Government had identified certain issues which had been defined with sufficient clarity to enable it to bring forward proposals of real value. The Government considered that there were four groups of provisions for examination, of which three dealt with the duties of directors and the fourth with insider dealing.

'The first new proposals', he said, 'deal with cases in which a director's personal interests may conflict with the wider interests of the company. The Government believe that it is important to legislate quickly to tighten the existing provisions controlling loans by a public company to its directors and companies and individuals connected with those directors. . . . Amendments on these subjects will be moved by the Government in committee. These provisions are intended to block the loopholes of which the unscrupulous director might be tempted to take advantage, and there will be criminal sanctions where the law is flouted.' A second proposal was, he said, 'that directors' service contracts lasting for more than five years and . . . property transactions between a company and a director shall both require the express approval of a general meeting. Further . . . [the Government] shall provide for the disclosure to members of the details of all these transactions.' The third aspect of the duties of directors that the Government had examined was the duty to consider the interests of the company's employees. It hoped that it would be possible to bring forward an amendment to require directors in the performance of their duties to the company to consider the interests of their employees. 'The Government make it clear', he said, 'that that obligation would be enforceable by the company, since it is the company which is at present in a position to take action against directors for any breach of duty. It would be quite unacceptable to open up an easy route for frivolous or obstructive actions in the courts.'

In conclusion he dealt with the question of insider dealing. 'It is the Government's ambition to see that as many people as possible own shares in the company in which they work and to

see a much wider spread of share ownership. It is essential that such small shareholders develop confidence in the market and do not feel that they are at the mercy of the unscrupulous. Therefore, there is general agreement that insider dealing should be made a criminal offence.' The proposals of the previous Government, as set out in the last Bill, had been, in some respects, sound and fair but there had been grave and crucial defects in vital areas. The Government proposed a more accurate definition of insider information and 'a fairer and a more rational definition of insiders'. The full proposals had been set out in a consultative document and the Government would take all possible steps to make sure that it was in a position to come forward with proposals in committee.

Opposition View

Mr Stanley Clinton Davis, an Opposition spokesman on trade, said that they would examine the Government's proposed amendments with care. Referring to the amendment which the Opposition tabled declining to give the Bill a second reading, he said that they 'felt fully justified in putting down a reasoned amendment because, as it stands, the Bill is significant only for what it omits'. The Opposition were concerned that a number of proposals were not embodied in the Bill but were to be introduced at the committee stage; it was their opinion that they should have appeared in the published Bill. 'The Government are saying that they will consider the proposals but that they will not necessarily include them in the Bill because of the lack of time.'

Mr Clinton Davis then detailed a number of items in company law that were a cause of concern among the Opposition. He said they would explore the position of minority shareholders more fully in committee. He continued, 'It is unacceptable that company law should require directors to act solely in the interests of shareholders. It is also wrong that a director is unable to advance the defence to an action by a shareholder that he acted in the interests of employees.'

Mr Clinton Davis then outlined the Opposition's view that it was necessary to curb corporate abuse by making it a legislative requirement that any loan made by a company to its directors should be disclosed to the shareholders. On the subject of insider dealing the Opposition agreed entirely with the Government that it should be made a criminal offence.

Closing Speeches

The Parliamentary Under-Secretary of State for Trade, Mr Reginald Eyre, closed the debate for the Government by answering a number of questions that had arisen. He dealt first with the subject of consolidating the seven Companies Acts, apart from the present one, which were currently in operation. The Government 'recognises that the present profusion of Companies Acts is highly unsatisfactory for all those people concerned with company law'. Work was in hand, he said, on preparing a consolidating Bill. 'As for timing, it would at first sight seem desirable to consolidate as much as possible, but no final decision will be taken until nearer the time when there has been more progress on consolidation and [the Government] has a clearer view of the scope of the Bill to be introduced in 1980-81.'

In reply to a question about consultation and advice on company law reform, Mr Eyre said that the Government did not intend to establish an independent permanent advisory committee, as had the last Government. Instead the Department of Trade would invite a wide range of professional bodies and other interested parties to nominate representatives to serve on a panel of advisers on company law. This panel would be an addition to the existing methods of consultation.

In conclusion he said, 'Company law should prohibit that which is wrong and provide a framework which permits, rather than requires, the development of desirable practices.'

Mr Clinton Davis noted that as the Government would be introducing amendments to the Bill in committee the Opposition would withdraw its amendment criticising the Bill and allow it an unopposed second reading.

Government Amendments

The Government has published in the form of a consultative document[1] its proposals to make insider dealing a criminal offence. Insider dealing refers to people closely connected with a company (insiders) using certain price-sensitive information from that company to the benefit of themselves or other people by means of share dealing. It would also be an offence for someone who knowingly received such information from an insider to profit similarly.

The document contains four main clauses. Clause 'A' sets out a number of prohibitions relating to transactions in company securities on a recognised stock exchange, where a person connected with the company possesses information, by virtue of his connection with the company, which is such that it ought not to be disclosed except for the performance of his functions and which he knows is unpublished price-sensitive information. Clause 'B' lays down similar prohibitions and exceptions in relation to Crown servants. Clause 'C' extends the application of clauses 'A' and 'B' to deals otherwise than on a recognised stock exchange. Clause 'D' provides that contravention of the first three clauses will be a criminal offence and sets out the penalties that can be incurred.

The Government also intends to introduce new clauses on the subjects of loans by a public company to its directors, directors' service contracts, property transactions between a company and a director, and the duty of directors to consider the interests of their employees.

[1] *Insider Dealings: Legislative Proposals.* A consultative document. Available from the Department of Trade Library, Room LG37, 1 Victoria Street, London SW1H 0ET. Price 60p.

Research and Development Requirements and Programmes

A wide range of research and development projects funded by the Department of Industry through its Requirements Boards are reviewed in an annual report published on 24 October.[1]

The general tasks of the Requirements Boards[2] are to co-ordinate government policy with industrial needs and to define priorities for research and development (R & D) work requiring co-operation between the public and private sectors. The report also covers work on energy conservation, civil aviation technology and space. Although the Department's total expenditure of £134 million on R & D in 1978-79 represented a reduction in real terms of about 3 per cent on the previous year, there was an increase of 40 per cent (to £13·7 million) in funds for research on computers, systems and electronics and an increase of 9 per cent (to £10·8 million) for mechanical engineering and machine tools. As part of a continuing pattern, expenditure on space and civil aviation technology was reduced in 1978-79. Of the total expenditure £55 million was spent in industry and the remainder in departmental and other research establishments.

Activities and Programmes

The programmes supported by the Boards include the maintenance and improvement of standards of measurement for industry and commerce; the collection and determination of basic data for use by industry; the development of new technologies and their application; techniques for the more efficient use of energy and for the reclamation and recycling of waste material; and the development of new products and processes.

Current projects concerning energy conservation, in which many Boards are involved, include increasing the efficiency of different types of kilns, the recovery of waste heat in aluminium melting furnaces and sulphuric acid plant and new methods of textile manufacture. Computer technology is being applied to many areas: in simulators for aircraft and ship handling, in mathematical modelling to replace component testing; in a detailed drawing system for mechanical engineering and machine tool manufacture; and in an automatic control system, incorporating a microprocessor, for bulk melting furnaces. The Boards are also encouraging the wider use of computer-aided engineering in industry. New materials developed, tested and exploited include liquid crystals, now being sold to Japan, developed with the support of the Computers, Systems and Electronics Requirements Board; carbon-fibre-reinforced plastics antennae, to be used on the Intelsat V communications satellites, for which the basic R & D was supported by the Engineering Materials Requirements Board; a new fire-resisting material, 'Cenolite', produced from pulverised fuel ash; fecralloy steels for use in furnace windings and as a substrate for automobile exhaust catalysts; and permeable synthetic fabrics for use in civil engineering projects such as embankment construction. Though the Electrical Technology Requirements Board has now concluded its assistance for the development of the sodium sulphide battery for use in electric vehicles, which has moved into the pilot production phase, it is continuing its work on other advanced batteries including the nickel zinc battery.

Many Boards have considered safety at work and in the environment: the Ship and Marine Technology Requirements Board has looked at the problems experienced by pilots at their work and by all ship crew, and has continued to support R & D on oil pollution; while several other Boards have supported work designed to improve the environment in foundries. The Chemicals and Minerals Requirements Board is continuing to support work on the reclamation and re-use of materials: for example, aluminium-topped drink cans are now used in the production of permanent magnet alloys.

The Metrology and Standards Requirements Board gives financial support to the British Calibration Service[1] and has helped to develop new methods of measurement. Laser interferometry has been used in calibrating the pitch of tapered screw thread gauges of particular relevance to the oil industry; a new machine at the National Physical Laboratory has assisted in the calibration of load cells used to test, for example, motorway bridge bearings; and a calibration service for ultrasonics has been established for use in medical diagnostic equipment. High-precision long-distance time comparisons have been successfully completed by satellite (making it likely that this method of time transfer will replace ground-based links in the future) and the data from the meteorological satellite Meteosat (of which a second model is in preparation) is becoming widely used in daily weather forecasts.

[1] *Research and Development Requirements and Programmes Report 1978-79.* Available free from the Technology Library, Department of Industry, Abell House, John Islip Street, London SW1P 4LN.

[2] There are Boards for Chemicals and Minerals; Computers, Systems and Electronics; Electrical Technology; Engineering Materials; Garment and Allied Industries; Mechanical Engineering and Machine Tools; Metrology and Standards; and Ship and Marine Technology. In addition, the Chief Scientist's Requirements Board supports programmes that do not fit into the work of the other Boards: for example, paper, printing and packaging, and furniture.

Transfer of Air Services from Heathrow to Gatwick

Following a fundamental review of the policy of transferring air services from Heathrow to Gatwick, the Government has concluded that a significant transfer is required to ease the

[1] The British Calibration Service, under the aegis of the Department of Industry's National Physical Laboratory, comprises some 80 industrial, university and government laboratories which authenticate electrical, mechanical, optical, pressure, flow and thermal measurements for industry.

pressure on facilities at Heathrow. Government proposals aimed at providing a redistribution of traffic among the London airports have been set out by the Secretary of State for Trade, Mr John Nott.

Government Proposals

In a statement on 9 October, Mr Nott said that the Government had been engaged in a fundamental review of airports policy during which it had considered particularly the extent to which further traffic could be accommodated within the existing facilities at Heathrow, the way in which Heathrow might be adapted to handle the likely demand over the next few years, and the options available to deal with the problem of matching the immediate passenger demand to airport capacity in the London area. It had found wide acceptance that the maximum capacity at the existing passenger terminals at Heathrow would soon be reached, some divergence of opinion as to whether extra capacity could be provided at Heathrow, and reluctance, particularly by overseas airlines, to transfer their operations from Heathrow to Gatwick. As a result of its review, the Government had concluded that there was 'an essential requirement to relieve congestion at Heathrow', where demand already exceeded capacity in Terminal 3 and would do so in Terminal 2 in 1981 and Terminal 1 in 1982. While limited switching of air services between terminals was possible and would produce some relief, no fundamental increase in capacity could be provided in the short term at Heathrow.[1] Total capacity at the existing London airports was 'sufficient to meet the immediate demand', but a significant transfer of scheduled air services from Heathrow to Gatwick was essential to provide an efficient and acceptable service at the London airports for the airlines and their passengers.

Various alternatives to the previous Government's policy, including a ban on all growth in traffic at Heathrow or a policy under which the last airlines to start operations at Heathrow should be the first to move to Gatwick, had been considered, but the Government had concluded that these alternatives did not provide a practical and realistic solution to the present problem. Mr Nott said that it had therefore decided to continue the previous Government's policy which had been followed since April 1977 (see p 207, 1977) under which no airline not at present operating scheduled international passenger services to Heathrow would be allowed to start new services there. The relief of congestion at Heathrow and the provision of scheduled services from Gatwick would 'continue to be an important objective of the Government's civil aviation policies and of all negotiations about the air services of existing operators at Heathrow'. As an incentive to airlines transferring their services from Heathrow, the British Airports Authority (which owns and manages Heathrow, Gatwick and five other airports in Britain) should maintain its policy of widening the disparity in landing and other charges between Heathrow and Gatwick.

Mr Nott said that during the course of the review British Airways had accepted that from 1 November 1980 it should transfer to Gatwick all its scheduled services between London and points in Spanish and Portuguese territory, provided that Iberia and Air Portugal airlines restricted their services from Heathrow to the levels of 1979-80; any capacity above these levels would be provided by Iberia and Air Portugal at Gatwick. The Government had commended these proposals to the Spanish and Portuguese authorities. The Spanish Government had said that it was ready to accept them, subject to certain understandings on which discussions were still proceeding, while discussions with the Portuguese Government were also continuing. Mr Nott said that the Government had noted the technical problems involved in operating scheduled services from Gatwick to the more distant parts of Canada and thus had decided not to proceed further with the previous Government's proposals to transfer London-Canada services from Heathrow to Gatwick.

[1]Plans for a fourth major terminal at Heathrow, which would raise its annual capacity from 30 million passengers to 38 million, have been examined at a local planning inquiry and the report is being considered by the Government. However, the first phase of the terminal could not be brought into use, and so ease congestion at the airport, until the beginning of 1985 at the earliest.

Agriculture and Pollution

The seventh report of the Royal Commission on Environmental Pollution makes recommendations on responsibility for investigating the effects of pollution, on pesticides, fertilisers, farm wastes and on other matters related to pollution.[1]

The primary aim of the Commission's study was to consider the polluting effects of agricultural practices in view of the changes which have occurred in these practices over the last few decades, and of the changes which may occur over the period up to the end of the century. The Commission questions the assumptions that the necessity of food supply takes precedence over environmental requirements and that the observance of good agricultural practices will ensure that any adverse environmental effects are reduced to a practicable and acceptable minimum. The changes which have taken place in the last 35 years (such as the vastly expanded use of agrochemicals and fertilisers, the trend towards large, intensive livestock units and the related problems of farm waste disposal) have greatly increased the impact of agriculture on the environment and suggest the need for reassessment.

Responsibilities for Pollution from Agricultural Activities

While general responsibility for safeguarding the environment rests with the Department of the Environment, the Commission believes that the

[1]*Royal Commission on Environmental Pollution. Seventh Report. Agriculture and Pollution.* Cmnd 7644. HMSO, £6. ISBN 0 10 176440 5.

initiative for action to deal with pollution caused by agriculture should rest with the Ministry of Agriculture, Fisheries and Food (MAFF). The Commission stresses that this would imply a new emphasis on pollution matters within the MAFF which, in the view of the Commission, has been unduly protective towards agricultural interests – although it acknowledged and welcomed indications of the Ministry's increasing awareness of the wider issues raised by agricultural developments. The report states 'There is a need to recognise that there may come a point in the continuing striving for higher yields where agricultural advance must give way to environmental considerations.'

Pesticides

The Commission accepts that the continued use of pesticides is essential to maintain food supplies, and that much care is taken to ensure safety in use and to minimise adverse environmental effects, but is concerned nevertheless about the scale of pesticide use. Instead of a tacit acceptance of increasing usage the Commission believes that it should be official policy to seek to reduce usage to the minimum, consistent with agricultural objectives. To achieve this the report recommends that the present separate schemes for assessing the safety and efficacy of pesticides should be amalgamated and statutory recognition be given to the combined scheme. A licensing system for commercial pesticide operators is also recommended, which might eventually be extended to farmers and their employees.

Fertilisers

On the use of fertiliser, the Commission does not doubt that the large increase in the use of inorganic nitrogenous fertiliser is, directly or indirectly, a major cause of the rising nitrate levels in many water supply sources. It has concluded, however, that the anxiety which has been engendered about the risks to health from nitrate levels in water is not justified on the information at present available, although it recommends that further investigation be undertaken to substantiate the maximum acceptable level as laid down in the World Health Organisation's European standards.

Farm Wastes

The Commission considers that insufficient attention has been paid to the pollution risks posed by intensive livestock units. It considers that rearing of livestock in this way should be regarded as industrial rather than agricultural in character and that producers must, therefore, come to accept the costs of pollution control. The report recommends that the terms of grant aid schemes should be reviewed to ensure that appropriate provision is made for pollution control; that the MAFF Farm Waste Unit should be strengthened and the adequacy of advisory material on farm waste management be reviewed; and that consideration should be given to whether the present research and development programme on waste management is appropriate in scale and in the division of effort between the various options. The Commission considers that animal wastes should generally be returned to the land, but that more attention should be given to achieving a better use of the plant nutrients that these materials contain.

The Effects of Pollution on Agriculture

The Commission attaches particular importance to the risks posed by the application of sewage sludge to land and to the possible effects of air pollution on crops and livestock. Pending further research, the report says that it would be wise to assume that the application of untreated sludge to land will be found unacceptable as a widespread practice. Noting the potential importance of the effects on crops of relatively low levels of air pollutants, the Commission recommends that these effects should be carefully assessed in considering proposals for industrial development, and that the priority accorded to research in this area should be reviewed.

Planning and Related Matters

Although the Commission believes that the considerable exemption from planning control which agriculture at present enjoys should, in general, continue, it recommends that the exemptions should be removed as far as intensive livestock unit developments are concerned. Centrally prepared guidelines, dealing with pollution considerations relating to these units, should be prepared.

ADAS and Pollution Matters

The Commission welcomes and supports proposals for a wider role for the Agricultural Development and Advisory Service (ADAS), and recommends that the organisation and functions of the ADAS should be reviewed in the light of the Commission's proposals to ensure that pollution aspects are adequately covered.

Shorter Notes

MEASURES TO AID SMALL FIRMS

Three measures to assist small firms were announced by Mr David Mitchell, Parliamentary Under-Secretary of State for Industry, on 7 November. He said that they underlined the Government's commitment to the support of the small firms sector. The first measure would provide access to a new source of venture capital for small businesses; the Department of Industry's Small Firms Service would pass appraisals of investment propositions in selected small businesses to the Post Office Staff Superannuation Fund, which would then decide, on a strictly commercial basis, whether or not to invest. Initially the scheme would be confined to the Department's eastern region, but it was hoped eventually that a nationwide facility would be established and that it would embrace other investing institutions as well. The new measure would overcome the problem of the relatively high cost of appraising small investment propositions. As a second measure to aid small firms, Mr

Mitchell said the Department had authorised the English Industrial Estates Corporation (which builds factories with government funds in the assisted areas – see pp 265-6) to build 62 workshop units, each about the size of a double garage, as an experiment to encourage the creation of more small businesses. The first units would be in the shipyard areas of north and north-west England where unemployment was a particular problem. Finally the programme of 'clinics' and exhibitions whereby the Small Firms Service takes information and counselling services to the client by setting up in temporary offices, is to be extended. The Department's experience is that a service offered 'on the doorstep' in this way achieves a good response from small firms and is inexpensive.

NOBEL PRIZES

Two scientists working in London – Dr Godfrey Hounsfield and Professor Abdus Salam – have been awarded Nobel Prizes. Dr Hounsfield, Senior Staff Scientist at EMI's Central Research Laboratories, shares the 1979 Nobel Prize for Physiology and Medicine with Professor Allan Cormack of Tufts University in the United States for services to computer-assisted tomography (a technique of reassembling X-ray information to construct a three-dimensional image of solid opaque bodies), which has resulted in the development of body scanners allowing doctors to view the inside of the human body in three dimensions. (The two men worked independently of each other.) Scanners can produce pictures 100 times sharper than those achieved with standard X-ray techniques and can detect subtle differences in the densities of various organs and tissues. They are particularly useful in locating tumours and in monitoring the progress of cancer treatment. Dr Hounsfield invented the EMI-Scanner computerised axial tomography system. At first he applied this technique to cranial examination and later built a larger machine which could scan both the head and the body. EMI has sold over 1,000 brain scanners and body scanners to leading hospitals around the world, particularly in the United States. Dr Hounsfield has received a number of other awards for his work on scanners, including the MacRobert Award in 1972, and was elected a Fellow of the Royal Society in 1975.

Professor Salam, who was born in Pakistan but now works in London and in Trieste in Italy, shares the 1979 Nobel Prize for Physics with Professor Sheldon Glashow and Professor Steven Weinberg, both of Harvard University in the United States, for their contributions to a unified theory of weak nuclear and electro-magnetic forces in the atom. Since 1957 Professor Salam has been a professor of theoretical physics at the University of London's Imperial College of Science and Technology and since 1964 he has also been director of the International Centre for Theoretical Physics in Trieste. He is chairman of the United Nations Advisory Committee for Science and Technology. Between 1961 and 1974 he was scientific adviser to the President of Pakistan.

NATIONAL RESEARCH DEVELOPMENT CORPORATION

The National Research Development Corporation (NRDC) had an operating surplus of £10,780,000 in 1978-79 compared with £8,250,000 in 1977-78 and is now entirely financed from its own resources, having completely repaid all outstanding loans advanced by the Department of Industry, according to its latest annual report and statement of accounts[1] published on 26 September. The Corporation's functions are to promote the manufacture, under licence, of new products and processes invented in government laboratories, universities and elsewhere, by advancing money where necessary to bring them to commercial viability; and to speed up technological advance by investing money with British industrial firms, principally on a joint venture basis, for the development of their own inventions and projects.

In response to public criticism that the Corporation has become too much concerned with making profits to the detriment of its role in taking high risks in encouraging and promoting innovation, the report points out that were it not for its licensing income the NRDC would have made a substantial loss in the past few years. The NRDC's licence income from patents held by the Corporation reached more than £18 million (of which foreign currency earnings amounted to some £15 million) in 1978-79, compared with some £3 million from levies from joint venture projects in support of industry's own innovations and other income of £182,000. The Corporation now holds over 5,900 patents in Britain and overseas, the subject of 545 licensing agreements.

Expenditure on joint ventures rose to £3,860,000 in 1978-79 from £3,080,000 in 1977-78, while the number of projects in existence rose during 1978-79 from 186 to 216. New ventures authorised during the year rose from 46 to 52 and total new expenditure of £6,820,000 was authorised compared with £5,570,000 the previous year. Though expenditure on the development of inventions assigned to the Corporation went down in 1978-79 to £2,250,000 from £2,920,000 in 1977-78, the number of such projects rose during 1978-79 from 254 to 292 and the number of new projects authorised rose to 61 in 1978-79 from 49 in 1977-78.

THE UNITED KINGDOM INFRARED TELESCOPE

The United Kingdom Infrared Telescope, the largest telescope in the world designed specifically to make infra-red observations, was officially inaugurated by the Duke of Gloucester on 10 October. It is one of four large telescopes on the summit of Mauna Kea, the largest mountain in Hawaii, and is 4,200 metres above sea level. The telescope is a project of the Royal Observatory, Edinburgh, one of the five research establishments of the

[1] *National Research Development Corporation. Thirtieth Annual Report and Statement of Accounts 1978-79.* Available from the Corporation at Kingsgate House, 66-74 Victoria Street, London SW1E 6SL.

Science Research Council, and is available to any British astronomer whose proposed programme of work has been accepted by a panel of experts.

A notable feature of the new telescope is that it has a very thin primary mirror, with an edge thickness of 0·29 metres, so that its weight (6·5 tonnes) is much less than that of other telescopes. This has made possible the use of a lighter supporting structure, as a result of which the British telescope is the smallest and cheapest of the telescopes on Mauna Kea, although its primary mirror has the largest diameter (3·8 metres). The blanks for the primary and smaller mirrors were ground and polished by Grubb Parsons and the design and manufacture of the rest of the telescope and its erection were undertaken by Hadfields Ltd.

Scientists will use the telescope to study infra-red radiation which reaches the earth from various celestial objects. Infra-red observations provide an important means of investigating the many galaxies and quasars (star-like extra-galactic sources of high energy electromagnetic radiation) which are relatively strong heat emitters. Astronomical observations in the infra-red can reveal invisible protostars and very young stars which are forming and developing within dark clouds of interstellar material. Many other stars, which are invisible because they are shrouded in dust of their own making, can be studied only through infra-red observation. Analysis of the infra-red radiation emitted by planets within the solar system can provide much information on the chemical composition and structure of their atmospheres.

THE IMPACT OF ROBOTS AND AUTOMATION

The crucial role played by joining and assembly technologies in determining the quality, reliability and cost of manufactured goods and the importance for British industry of keeping up with its competitors in its use of automated assembly techniques, including robotics, are stressed in a report by the Advisory Council for Applied Research and Development (see p 34, 1977) published on 6 November.[1]

The report, produced by a working group under the chairmanship of Sir Henry Chilver, Vice-Chancellor of Cranfield Institute of Technology, reviews some of the more recent innovations in the field and says that public finance may be needed to stimulate faster introduction of robots into factories, in line with the government support available in the Federal Republic of Germany, Japan and the United States. Although knowledge of advanced techniques is readily available and Britain is an international leader in some fields, for example, welding and adhesives technology, it has sometimes been slow to apply new methods in industry. The report comments that failure to exploit new assembly technologies could result in Britain's manufactured goods becoming progressively less competitive in both cost and quality; moreover, the consequent threat to employment is far greater than the apparent loss of jobs when automated techniques are introduced.

The report also recommends that centres to develop and demonstrate automated assembly techniques should be established. Relevant university research should be strengthened and, in general, universities and polytechnics should have a more definite role in the introduction of new technology into industry. Greater appreciation of joining and assembly techniques in engineering courses is required and information on adhesives should be more easily available.

The report has been submitted to the Government which will respond when the proposals have been fully considered.

[1] *Joining and Assembly: the impact of robots and automation.* HMSO, £1·75. ISBN 0 11 630810 9.

MOTORWAY SERVICE AREAS

The Government's decision to offer for sale on new long leases the major part of its interest in motorway service areas in England was announced by the Minister of Transport, Mr Norman Fowler, in the House of Commons on 22 October (*Hansard*, written answers, col 80). Mr Fowler said that he also proposed to relax many of the detailed restrictions on operators, and only covenants to ensure that the areas fulfilled their function as safe stopping places for travellers would be retained. Discussions with operators and other interested parties would be held very shortly. He believed that 'by giving the operators greater independence and putting them onto a new commercial footing' he was offering them the chance 'to develop new business opportunities and to provide a better and more varied service to the travelling public'.

Details of the Minister's proposals are set out in a policy statement.[1] It says that negotiations will be held on the sale, either to the existing operators or to third parties, of the major part of the Government's capital investment in the 38 motorway service areas in England,[2] which at current prices represents an investment of over £40 million. New long leases, with nominal ground rents and essential covenants, will replace the existing leases, most of which have between 30 and 50 years still to run. In the Government's view, 'increased competitiveness will improve the service to the consumer by giving greater choice' and 'this will encourage operators to make their facilities more attractive'. As a further encouragement to competition, the Government is urgently exploring the possibility of an independent assessment and 'star rating' system for motorway service areas.

[1] *Motorway Service Areas: Policy Statement by the Minister of Transport.* Available free from the Press Office, Department of Transport, 2 Marsham Street, London SW1P 3EB.

[2] The Secretary of State for Scotland, Mr George Younger, announced on 22 October that he would wait to see the effects on the two motorway service areas in Scotland of the completion of motorway links in 1980 before deciding what future policy to adopt for these areas. There are no motorway service areas in Wales or Northern Ireland.

SOCIAL AND CULTURAL AFFAIRS

Education (No 2) Bill

The Education (No 2) Bill has received a second reading in the House of Commons. Its main provisions relate to school government, parental choice and school admissions; scholarships and awards, including an assisted places scheme, industrial scholarships and grants for education in Welsh; the removal of certain controls over local education authorities; and the relaxation of the obligation on local authorities to provide meals, milk and free transport.

Provisions of the Bill

The Bill, which was given a second reading on 5 November (*Hansard*, cols 29-162), applies only to England and Wales except for the clauses dealing with industrial scholarships – which would extend to the whole of Britain – and school meals, milk and transport – which would also apply to Scotland.

The Bill would give statutory effect to proposals, outlined by the Secretary of State for Education and Science, Mr Mark Carlisle, in May (see p 165), to ensure the representation of parents and teachers on school governing bodies and the rights of parents to express preference for the school they would like their child to attend; and to provide for an assisted places scheme to allow pupils, with the help of income-related grants towards fees, to attend independent schools. The Bill would also enable the Secretary of State to contribute towards a scheme of industrial scholarships to students on full-time courses of higher education relevant to a career in industry. The intention is to provide statutory backing for the scheme of National Engineering Scholarships, funded jointly by Government and industry, for students taking first-degree courses in engineering. The proposals in the Bill would also allow the Secretary of State for Wales to make specific grants towards the costs incurred by local education authorities and other bodies in connection with education in Welsh.

As part of the Government's policy of reducing central control over local authorities, the Bill would remove from local authorities the need to obtain ministerial approval of proposals to establish, close, change the character of or enlarge a county school where there are no objections to the proposals or where the Secretary of State decided that his approval was not necessary. Local education authorities which intended to reduce the intake of their schools by more than 20 per cent would have to give public notice of their proposals and submit plans to the Secretary of State.

The provisions in the Bill relating to school meals, milk and transport, which would also apply to Scotland, would allow local education authorities to achieve major savings in the cost of these services. The statutory obligations on local education authorities to provide meals, milk and free transport would be relaxed. The Bill would leave them free to decide what meals, milk or other refreshment to provide and to charge what they considered appropriate, with the right to remit charges in whole or in part. They would be required to have regard to the needs of pupils from families in receipt of supplementary benefit or family income supplement, ensuring that provision was made for them free of charge. Local authorities would continue to be required to provide transport where it was considered necessary but they would be able to charge for it. They would, however, be empowered to pay reasonable travelling expenses at their discretion and, in the case of children of families receiving supplementary benefit or family income supplement living beyond a certain distance from school, would be obliged to do so.

Misuse of Drugs

The Government's intention to bring barbiturates within the controls of the Misuse of Drugs Act 1971 was announced during a debate in the House of Lords in which some recent measures taken to deal with the problems of drugs misuse were described.

During a House of Lords debate on the increase in the misuse of drugs (*Hansard, HL*, 30.10.79, cols 353-68), the Parliamentary Under-Secretary of State at the Home Office, Lord Belstead, pointed out that between the end of 1977 and the end of 1978 the number of narcotic drug addicts known to the Home Office had risen from about 2,000 to 2,400. This increase was due in part to measures taken by the Government last year to remind doctors of their obligation to notify. Recent research suggested that there were possibly as many addicts obtaining their drugs from illicit sources as there were notified to the Home Office.

Speaking of the amount of narcotics smuggling in Britain, Lord Belstead said that the latest figures of customs seizures of heroin suggested a growing illicit market in the country. Follow-up investigations by the customs had indicated that a great deal of the heroin smuggled in was intended for destinations elsewhere. It was reckoned by the customs that in 1978, 90 per cent of the smuggled-in heroin was destined to be smuggled out again. The most significant factor this year, said Lord Belstead, was the substantial quantity of Iranian heroin seized between February and May, aimed – it was believed – almost exclusively at the United Kingdom.

The problem of drug abuse, however, went a good deal further than narcotic addiction. Certain barbiturates, often taken in combination with other drugs and alcohol, seemed to pose a numerically larger problem than that presented by narcotics. On the recommendation of the Advisory Council on the Misuse of Drugs, therefore, the Government proposed to take measures to bring barbiturates within the controls of the Misuse of Drugs Act 1971.

Speaking of the difficulties which the health and local authorities responsible for planning services for drug misusers faced in obtaining adequate information about the nature and extent of drug misuse in their areas, Lord Belstead referred to the recommendations made by a government working party for establishing a network of communication at local level. The aim of this was to gather key information on local problems of drug misuse for use by local authorities. He added that the Department of Health and Social Security was about to commission research into the problems of simplifying the collection of local information which, it was hoped, would minimise the task of the health and local authorities.

On the treatment and rehabilitation of addicts, Lord Belstead referred to an experimental centre known as Cityroads, which provided a 24-hour service for young people in London found suffering from the effects of drug misuse. This project, which opened in 1978, was funded by the London Boroughs Association and the Department of Health and Social Security, and was believed to be the first of its kind in Europe; it would be reviewed after three years to see if it should continue as part of the normal services for the treatment of drug misusers.

Looking at the problem in an international context, Lord Belstead spoke of the active role which Britain was playing in the work of the United Nations Commission on Narcotic Drugs, and mentioned Britain's contribution to the UN Fund for Drug Abuse Control, which was trying to tackle the narcotics problem at source by methods such as crop substitution programmes in the areas of what was known as the 'golden triangle' in South-East Asia and other places where the plants producing the raw materials for narcotic drugs were grown.

[For background information see COI reference pamphlet *The Prevention and Treatment of Drug Misuse in Britain*, R5945/78.]

Report on Prison Services

An extensive prison building programme to reduce overcrowding, reorganisation of the prison service to create greater unity and identity, the further development of non-custodial sentences, and pay increases for prison staff are among the recommendations of the Committee of Inquiry into the Prison Services in its report published on 31 October.[1]

Main Recommendations

Some of the Committee's main recommendations are summarised below.

Its report points out that the prison population has risen during the last 30 years, the main cause of this being the rise in crime. Every effort, the Committee considers, should continue to be made to reduce the number of inmates. Mentally disordered offenders should be treated in hospital and not in prison, and fine and maintenance defaulters and persistent petty offenders should not be sent to prison. In addition non-custodial sentences – probation, community service orders and forms of suspended sentence – should be developed as far as possible. Prison regimes should continue to be based on useful work, but greater efforts should be made to establish a full working week, with prisoners occupied for at least eight hours a day, and managerial performance should be improved. Facilities for education, as a full-time alternative to work, should be developed as far as resources allow. This would include, for instance, vocational training courses of all kinds, physical and recreational activities, and remedial classes in literacy and numeracy.

On the organisation of the prison services, the Committee concludes that no substantial changes are needed in Scotland or Northern Ireland, but recommends considerable changes in England and Wales. The Home Secretary should remain accountable to Parliament for the running of the service, which should itself be reorganised to achieve three goals: to create greater unity and identity, to give the Prison Department more standing within the Home Office, and to identify the work within the service which should be the responsibility of the most senior management. The prison service should continue to be directed by a Prisons Board (at present consisting of five members) which should have a chairman and include a further six members, four of whom should originate from within the general Civil Service or governor grades, as well as two independent non-executive members appointed by the Home Secretary. The report proposes the establishment of an independent prison inspectorate within the Home Office with wide powers to investigate specific incidents at the request of the Home Secretary.

In the view of the Committee, prison accommodation is best in Northern Ireland, but a major

[1] *Report of the Committee of Inquiry into the United Kingdom Prison Services*. Cmnd 7673. HMSO, £6. ISBN 0 10 176730 7. The Committee, chaired by Mr Justice May, was set up in November 1978. For its terms of reference, see p 439, 1978.

expansion of the prison building programme elsewhere in the United Kingdom, with a doubling of capital expenditure on prisons in England and Wales, is recommended. Although the worst prisons are not necessarily nineteenth century prisons, the Committee recommends that Dartmoor should be closed and the older Victorian local prisons replaced or rebuilt. The major aim of accommodation policy should be to abolish cell-sharing and to establish integral sanitation and washing facilities in cells.

The report considers there is an urgent need for a review of all training facilities and programmes for prison officers. The pay of prison officers should continue to be linked with Civil Service rates under the formula which has been in operation since 1958. In recognition of the increased demands of the prison officers' job, the Committee recommends new pay scales for officers and also for prison governors.

The report advises local settlement of local disputes to improve industrial relations within the service, with governors generally making more use of existing powers. Urgent attention should be paid to improving the working conditions and facilities for all prison staff, and prison establishments should be open to inspection to the same extent as any private establishment.

The Government's Response

In a statement in the House of Commons on 31 October on the publication of the report (*Hansard*, cols 1231-3), the Home Secretary, Mr William Whitelaw, said that the Government welcomed the report's 'insistence on the constructive aspects of imprisonment and its concept of "positive custody", with its emphasis on work, education and openness of approach'. It welcomed the Committee's advocacy of shorter sentences for non-violent offenders, endorsed the Committee's view that improvement of morale and efficiency in the prison service was needed, and accepted in full the Committee's recommendations on pay and allowances for the prison services.

The Government shared the Committee's view of the need for greater efficiency in the use of manpower and for reductions in the present high level of overtime. Careful examination, in consultation with the prison service staff associations, was needed of the ways in which the Government could achieve 'these important objectives and deal with the recommendations on . . . industrial relations, the role and training of staff, recruitment and conditions of service'.

The report's recommendations for a significant expansion of the prison building programme and improvements in working conditions and facilities for staff would have to be studied carefully, 'taking account of the nation's total resources and the many claims upon them' and the Government's 'commitment to support and improve the prison service'. On the Committee's recommendation for closing Dartmoor prison, Mr Whitelaw said that in the present conditions of overcrowding and the need to use all the available capacity, there was no question of this prison closing down.

Royal Commission on Gambling

The Home Secretary has outlined the Government's general policy towards gambling and announced the Government's acceptance of a number of the recommendations of the Royal Commission on Gambling.[1] These include measures to improve the control of lotteries and proposals to improve the supervision of gaming.

During a House of Commons debate on the report of the Royal Commission (*Hansard*, 29.10.79, cols 841-58), the Home Secretary, Mr William Whitelaw, said that the vast amount of money that changed hands in gambling, and the possibilities that that provided for exploiting human weakness were such that firm controls were needed to reduce the scope for crime, and, while not encouraging the growth of gambling, the Government had to try to ensure that those who indulged in the pastime got a fair deal. The main object should be to provide effective statutory provisions and regulations. In addition, some direct supervision and monitoring of gambling activities by the Government was required.

Commenting on the Commission's proposals for the establishment of a horse racing authority to improve the arrangements for administering the betting levy, Mr Whitelaw considered that this was not needed at present, but he welcomed the proposals formulated by the racing industry for a representative consultative body – the Racing Advisory Council – to advise the Horserace Betting Levy Board. Due to start operating in January 1980, this would be an independent body, and the Government's responsibility would be limited to approving the payment of expenses out of the proceeds of the levy.

Mr Whitelaw agreed with the Commission's conclusions that no changes were needed in the present arrangements for the Tote, and added that an inquiry appointed earlier this year was examining the Tote's procedures for including bets made off the course in the on-course pools.

On greyhound racing, the Government agreed with the report that no case had been made out for the introduction of a racing levy, but at the same time concurred with the proposals for some modest increase in the permitted number of races per meeting and in the number of meetings allowed each year.

Commenting on the recommendations on lotteries, the Home Secretary agreed there remained cause for considerable concern about the way in which some lotteries were run. For the larger lotteries three main matters had to be dealt with: prevention of commercial exploitation, improved control of lotteries, and control of lottery tickets. While there was no prospect of legislation on this topic in the present parliamentary session, the

[1] *Royal Commission on Gambling. Final Report* (two volumes – not sold separately). Cmnd 7200. HMSO, £7·50. ISBN 0 10 172000 9. The Commission reported in July 1978 (see p 311, 1978).

Home Office had issued a consultative document which contained proposals for new regulations.[1]

On gaming, which the Home Secretary considered the most serious aspect of gambling, as it was here that the risk of invasion by criminals was greatest, the Government would be prepared to implement the Commission's recommendations for changes in the law relating to cheques and the provision of credit for gaming in casinos. Other recommendations which would be brought into effect as soon as the law could be amended required casinos and bingo clubs to provide the Gaming Board with audited accounts at regular intervals, and required companies operating gaming establishments to notify the Gaming Board of changes of control.

The Government found most of the proposals on the control of gaming machines acceptable, with the possible exception of the recommendation giving the police and local authorities power to enter amusement arcades at any time. Mr Whitelaw said this needed further consideration.

On a number of other matters in the report, the Government had not yet reached any decision and it looked forward to consultation with those concerned before firm proposals were made for legislation.

[Background information on this subject is contained in the COI's 1974 reference paper, *The Control of Gambling in Britain*, R5859.]

[1]*Lotteries and Amusements Act 1976: Regulations Under the Act: Consultative Document*. Available free of charge from Room 822, Home Office, 50 Queen Anne's Gate, London SW1H 9AT.

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